

JPRS-UEA-91-020  
25 APRIL 1991



# ***JPRS Report***

## **Soviet Union**

### ***Economic Affairs***

DTIC QUALITY INSPECTED

**DISTRIBUTION STATEMENT A**

**Approved for public release;  
Distribution Unlimited**

REPRODUCED BY  
U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL INFORMATION SERVICE  
SPRINGFIELD, VA. 22161

19980120 087

# Soviet Union

## Economic Affairs

JPRS-UEA-91-020

### CONTENTS

25 APRIL 1991

#### NATIONAL ECONOMY

##### ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Draft Privatization Law Discussed [N. Bobritskiy; <i>RABOCHAYA TRIBUNA</i> , 13 Apr 91] .....	1
---	---

##### INVESTMENT, PRICES, BUDGET, FINANCE

Union Head Says Price Hike May Cause 'Explosion' [V. Tikhonov; <i>KOMSOMOLSKAYA PRAVDA</i> , 13 Apr 91] .....	2
Effect of Price Hikes on Budget Deficit Analyzed [S. Aleksashenko; <i>IZVESTIYA</i> , 12 Apr 91] .....	2
Conflicting Union, Local Pricing Causing Confusion [O. Osipov; <i>TRUD</i> , 13 Apr 91] .....	3

##### INDUSTRIAL DEVELOPMENT, PERFORMANCE

Product Diversification at 'Energiya' NPO Described [B. Kononov; <i>IZVESTIYA</i> , 5 Apr 91] .....	4
---	---

##### REGIONAL DEVELOPMENT

Roundtable Focuses on Prospects of Free Enterprise Zones [A. Gnidenko; <i>EKONOMIKA I ZHIZN</i> No 2, Jan 91] .....	7
--	---

#### REGIONAL ECONOMIC ISSUES

##### POLICY, ORGANIZATION

Law on RSFSR State Taxation Service Published [SOVETSKAYA ROSSIYA, 18 Apr 91] .....	12
Resolution Enacting RSFSR Taxation Service Law [SOVETSKAYA ROSSIYA, 18 Apr 91] .....	15
Voronin Presents Outline of RSFSR Economic Program [Yu. Voronin; <i>RABOCHAYA TRIBUNA</i> , 3 Apr 91] .....	15
Existing RSFSR Law Penalizes Private Business Activity [S. Mostovshchikov; <i>IZVESTIYA</i> , 13 Apr 91] .....	17
Moldovan Law on Property .....	18
Text of Law [SOVETSKAYA MOLDOVA, 27 Mar 91] .....	18
Decree on Law's Implementation [SOVETSKAYA MOLDOVA, 27 Mar 91] .....	23
Moldovan Ukase on Formation of State Property Fund [SOVETSKAYA MOLDOVA, 13 Mar 91] .....	24
Uzbek Law on Banks, Banking Activities .....	25
Text of Law [PRAVDA VOSTOKA, 5 Mar 91] .....	25
Decree on Law's Implementation [PRAVDA VOSTOKA, 5 Mar 91] .....	34
Uzbek Law on Income Taxes From Citizens, Foreigners, Noncitizens .....	34
Text of Law [PRAVDA VOSTOKA, 7 Mar 91] .....	34
Decree on Implementation of Income Tax Law [PRAVDA VOSTOKA, 7 Mar 91] .....	44
Uzbek State Committee for Material-Technical Supply Reorganized .....	44
Text of Ukase [PRAVDA VOSTOKA, 2 Mar 91] .....	44
Commentary on Ukase [PRAVDA VOSTOKA, 2 Mar 91] .....	45
Ukrainian SUPSOV Official Pylypchuk on Political, Economic Sovereignty [V. Pylypchuk; <i>LITERATURNI UKRAYINA</i> , 14 Mar 91] .....	46
Bank of Estonia President on Failure of Monetary Reform [H. Treial; <i>RAHVA HAAL</i> , 9 Mar 91] .....	51
Latvian Legislators Express Dissatisfaction With Economics Minister [E. Licitis; <i>LAUKU AVIZE</i> , 22 Feb 91] .....	52

## INTERREGIONAL, FOREIGN TRADE

Proclaiming Narva a Free Enterprise Zone Arouses Protests [Press Committee Council of Estonia; PAEVALEHT, 27 Feb 91] .....	53
---	----

## PRICES, BUDGET, FINANCES

Economist on Republic Contributions to Union Budget [L. Goldenberg; SOYUZ No 2, Jan 91] ...	54
Price Increase Impact on Lithuania .....	56
Foodstuff Prices Affected [EKHO LITVY, 27 Mar 91] .....	56
Prime Minister Comments [EKHO LITVY, 27 Mar 91] .....	57
Price Department Head Interviewed [R. Staskunas, A. Misevicius; EKHO LITVY, 21 Mar 91] .....	58
Latvian Department of Prices Chief on Price Hikes [V. Gusev; SOVETSKAYA LATVIYA, 26 Mar 91] .....	59
Latvian Monetary Reform Viewed [A. Plotkans; LATVIJAS JAUNATNE, 7-9 Mar 91] .....	61

## INDUSTRIAL DEVELOPMENT

Estonian Trade Alliance Formed; Interview with J. Kraft [J. Kraft; RAHVA HAAL, 9 Mar 91] ....	62
---	----

## AGRICULTURE

### REGIONAL DEVELOPMENT

Peasant Union Emerges in Kazakhstan .....	64
Kazakhstan Peasant Union Established [KAZAKHSTANSKAYA PRAVDA, 8 Feb 91] .....	64
Congress Meets, Nazarbayev Attends [SELSKAYA ZHIZN, 9 Feb 91] .....	64
Tursunbayev Addresses Congress [L. Rakitskaya; ZEMLYA I LYUDI No 9, 1 Mar 91] .....	65

### MACHINERY, EQUIPMENT

Ryazan Farm Hampered by Machinery, Operator Shortages [Moscow Television, 12 Apr 91] .....	65
--	----

## CONSTRUCTION

### POLICY, ORGANIZATION

'Crisis' in Construction Sector Detailed [G. Arzhanov; TRUD, 16 Apr 91] .....	66
International Construction Institute Founded [A. Ivanov; PRAVITELSTVENNIY VESTNIK No 12, Mar 91] .....	67

## CONSUMER GOODS, DOMESTIC TRADE

### FOOD PROCESSING, DISTRIBUTION

Krasnodar Not To Put Up Prices of Dairy Products [Moscow Television, 15 Apr 91] .....	69
---	----

### GOODS PRODUCTION, DISTRIBUTION

Same Consumer Goods Problems Plague Military Personnel [M. Bovchenko; TORGOVAYA GAZETA, 16 Apr 91] .....	69
---	----

### HOUSING, PERSONAL SERVICES

Deputy Minister Justifies Higher Public Catering Prices [V. Savchenko; PRAVDA, 10 Apr 91] .....	70
---	----

### PERSONAL INCOME, SAVINGS

Compensation Plan for Families With Young Children Explained [L. Koryakova; ARGUMENTY I FAKTY No 15, Apr 91] .....	70
---	----

## ENERGY

### ELECTRIC POWER GENERATION

Kola AES Training Facility Lauded [Moscow Television, 14 Apr 91] .....	73
--	----

## LABOR

Pavlov Trade Union Confederation Speech Report [V. Pavlov; TRUD, 13 Apr 91] .....	74
TU Confederation Statement on Guarantee of TU Rights [TRUD, 16 Apr 91] .....	78
TU Plenum Support for Striking Miners [TRUD, 16 Apr 91] .....	79
Ukrainian People's Council Appeals for Miners' Guarantees [LITERATURNIA UKRAYINA, 28 Mar 91] .....	79
Some Krasnoyarsk Miners Reject Strike Call [Moscow Radio, 18 Apr 91] .....	80
Soligorsk Miners' Strike Cost Over R9 Million [Minsk Domestic Service, 15 Apr 91] .....	80
Measures to Strengthen Consumer Co-op Output Suggested [S. Lipskiy; TORGOVAYA GAZETA, 13 Apr 91] .....	81
TU Seminar on Fate of Consumer Co-ops, Privatization of Trade [A. Aleksandrov; TORGOVAYA GAZETA, 13 Apr 91] .....	82

## TRANSPORTATION

### CIVIL AVIATION

Tajik Aviation Complex Defended, New Plans Criticized [F. Mukhamedov, I. Zernopolskiy; KOMMUNIST TADZHIKISTANA, 21 Mar 91] .....	85
---	----

### RAIL SYSTEMS

Rail Minister Discusses 1991 Operations Plan [N. Konarev; PRAVITELSTVENNIY VESTNIK No 10, Mar 91] .....	87
Plan Rail Performance Discussed .....	88
Rail Minister's Report [N. Konarev; GUDOK, 2 Mar 91] .....	88
Railroad Leaders Comment [GUDOK, 2 Mar 91] .....	91
Rail Collegium Actions [GUDOK, 2 Mar 91] .....	93
Chief Interviewed on Railroad Economic Program [A. Starodub; GUDOK, 2 Apr 91] .....	94
Rail Institute Director on Transport Problems [V. Inozemtsev; GUDOK, 15 Mar 91] .....	96
Soviet-Finnish Rail Cooperation Noted [G. Fadayev; GUDOK, 6 Apr 91] .....	98
Safety Inspector Interviewed on Hazardous Materials Transport [N. Bochkovski; GUDOK, 2 Apr 91] .....	99



## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Draft Privatization Law Discussed

914A0630A Moscow *RABOCHAYA TRIBUNA*  
in Russian 13 Apr 91 p 1

[Interview with N. Bobritskiy, chairman of the USSR Supreme Soviet Economic Reform Committee subcommittee on small business and entrepreneurship, by Olga Berezhnaya, in Moscow: "'Quiet' Privatization: USSR Supreme Soviet Deputies Tackle Complex Problems in the Process of Discussing Draft of New Law"]

[Text] *"Yesterday I paid five rubles [R] for lunch. This is about the same as I was paying in the 1950's when I worked as a stevedore and earned R800. Today each of us compares new prices with what they used to be. And come to the conclusion that our standard of living has fallen to the level of the 1960's, or maybe even the 1940's. But during the past decades labor productivity has gone up; scientific and technological progress also was taking place. So where did all the money go? Apparently, into the capital funds accumulation. Therefore, property should be returned to those who have created it," said N. Bobritskiy, chairman of the Economic Reform Committee subcommittee on small business and entrepreneurship, from the USSR Supreme Soviet podium.*

We met during the break between sessions and continued the discussion of this topic. Our conversation, however, started with discussing not the privatization, but the law on general guidelines for citizens' entrepreneurship in the USSR.

"We talk a lot about the breakdown of economic ties," my interlocutor was reasoning. "I believe that this breakdown is an unavoidable phenomenon during the transition period. The only question is how to restore these ties. By a presidential decree? By strict resolutions in the environment of a totally unbalanced market? Or perhaps we should find the people who, thanks to their entrepreneurial qualities, could quickly set up horizontal links. The field of activities is immense: processing, storage, and distribution of agricultural products, and manufacture of construction materials. Small businesses on an entrepreneurial basis can function in any industry branch."

[Berezhnaya] Sounds attractive. But how realistic is it?

[Bobritskiy] An entrepreneur works on the basis of citizen's property or private property. Taking into account the realities of our country, we expanded this law: we introduced a so-called special form of entrepreneurship. A private individual may, on a contract basis, take the property from a collective or from a state enterprise and run it, roughly speaking, as his own. Such an approach solves one more problem. To build a new factory shop, one needs not only money but also material resources. With this option, small enterprises will simply branch out from the giants.

[Berezhnaya] But what is the benefit for the plant, a factory, or the entire national economy, to pass state property into private possession?

[Bobritskiy] The benefit is in a more effective operation. A director—whether he is elected or appointed—does not share responsibility the same way a business owner does. The maximum material loss for the director is a fine in the amount equal to two months salary. A business owner, even after taking over a state property, is liable for the results of his activity to the extent of all his personal property—dacha, car, etc.

[Berezhnaya] But would this not go the same way as the cooperatives, the activities of which usually do not bring out cheers, to put it mildly?

[Bobritskiy] The cooperatives have not been backed up by the state. They have not had clear registration procedures; they have not been put on an equal footing with the state sector in regard to supply of material resources. The cooperatives have no confidence in tomorrow, and they are not interested in the expansion of production. We are trying to correct this by stipulating in the law on entrepreneurship that profit reinvested in the development of a small business is not taxed. But only privatization can really solve the problem. There are many people right now who sit on the fence: to take or not to take land, to start or not to start their "own business." Until the main issue—on property—is resolved, no laws will help.

[Berezhnaya] The majority of deputies are inclined to think that part of the property should be given back to people for free...

[Bobritskiy] There are two points of view: a buy-out or a partial free distribution. I support the position that part of the state property should be given back to people at no charge. Why? The issues of property relations and distribution relations should be considered together. In civilized countries a person puts about half of what he earns into accumulation. But here the state takes almost everything, and therefore people have to spend almost everything they earn. Therefore, they do not have the means for a buy out. Second. If we want to quickly stabilize the economy, we need a market. But a market structure cannot emerge until we have up to 60 percent free producers. If we take the route of a buy out only, it will take no less than 10 years. Of course, this is a very serious question, and we need expert opinions—what will happen to the economy if we decide only to sell, and what will happen if we give part of it away.

[Berezhnaya] The deputies were saying that the privatization already has started, but it is going in such a way that the rights of workers collectives are being violated in the process. There was even the suggestion to suspend this process until the law is adopted. But the majority has not supported this measure.

[Bobritskiy] The takeover of property is underway both from above and from below. On the one hand, "shadow

economy" dealers engage in a "quiet" privatization through proxies; on the other, the apparatus is stepping in actively, because they understand that sooner or later the majority of ministries will be liquidated; therefore, they hurriedly create concerns and joint-stock societies, where the main shareholders are state entities. But if we attempt to stop this process, it will result in confusion and new doubts in the consistency of the government policy. Therefore the solution is in adopting the necessary laws as quickly as possible.

[Berezhnaya] It will not be easy to implement the resolutions that will be adopted. There will be unavoidable conflicts.

[Bobritskiy] Of course. And at all levels. First, between the center, the republics, and the local organs. Second, between the collectives: Some will be able to take over, to buy out, or to receive more profitable property, while others may end up with an unprofitable wreck. And, finally, simply between the people, who are very sensitive to any injustice. Thus the wisdom of both the lawmakers, and the executive structures that will implement it—they should act in such a way as to reduce conflicts to a minimum. Now, during the debates on a draft law, almost all deputies emphasize that during the denationalization preferential rights should go first of all to the workers collectives, then the USSR citizens, and only after that should the right to buy property be accorded to foreigners. Plus, in the latter case the sale of capital assets should be done mainly for hard currency and at world prices, which are as a minimum two to three times higher than the domestic ones.

Still, despite all the difficulties, the price of conflicts which may arise during the privatization is much less than that of the ones that are now taking place on political grounds.

## INVESTMENT, PRICES, BUDGET, FINANCE

### Union Head Says Price Hike May Cause 'Explosion'

PM1504100391 Moscow KOMSOMOLSKAYA  
PRAVDA in Russian 13 Apr 91 p 1

[Telephone interview with Academician Vladimir Tikhonov, president of the USSR Union of United Cooperatives, by I. Kadulin: "Evening Telephone Call to Academician Tikhonov"]

[Text] Academician Vladimir Tikhonov, president of the USSR Union of United Cooperatives, recently met with representatives of the miners' interregional strike committee. Some agencies have reported that he promised the striking miners financial aid of up to 100 million rubles.

[Kadulin] Vladimir Aleksandrovich, which of the miners' demands are supported by the union that you head?

[Tikhonov] The demands for an immediate convocation of a "roundtable," for the formation of a government of people's confidence, for mines to be freed from ministerial diktat, and for them to gain economic freedom. However, we consider some of the miners' demands to be inopportune—in particular, those demanding that the political system be renewed, Gorbachev resign, and the USSR deputies' corps be disbanded. They will do nothing but aggravate the crisis.

As for financial aid, we have still not worked out the requisite sum once and for all. But we have indeed decided to help the miners, primarily their families. If you consider that there are now roughly 250,000 miners on strike around the country, it is clear that a tremendous amount of money will be needed.

Incompetent economic policy breaks free enterprise. The Cabinet's recent decision regarding an unprecedented price hike may quite well cause an explosion when the people finally understand its purpose. The point is that, until 2 April, 90 percent of the people found the disorganized market a source which, albeit somehow, covered up our lack of commodities. But the market has not been saturated with commodities after the price hike. And things are even worse in the provinces. Moreover, the shortages will increase still further and I am afraid that, God help us, a conflagration, the like of which we have never seen, may flare up in a few weeks.

### Effect of Price Hikes on Budget Deficit Analyzed

914A0629A Moscow IZVESTIYA in Russian 12 Apr 91  
Union Edition p 3

[Article by Candidate of Economic Sciences S. Aleksashenko: "Where Will Our Money Go, After All, or What the New USSR Minister of Finance Did Not Say in His Interview"]

[Text] USSR Minister of Finance V. Orlov's interview for IZVESTIYA (No. 84), filled with a multitude of figures and arguments, was designed, it seems, to convince the entire country of the purity of intentions of the price reform ideologues.

Prices will increase by 60 percent, almost all of it will be compensated for, and the budget ostensibly "will get nothing." The trouble is: first, such explanations (if one wants them to be believed) are usually given in advance and with far more detailed lists of incomes and expenses (as was done, for instance, in Poland and Czechoslovakia). Second, either the minister is hiding something from us, or he hoped we would take his word for it and would not do some figuring. The minister of finance tried to convince us that the income from price increases can be used to reduce subsidies, which are one of the sources of this income. Before taking his word at face value, let us do some checking.

First: the level of increase in retail prices. According to initial statements, it was supposed to be about 60 percent (300 billion rubles [R] coming from the price increase at a total annual volume of R500 billion of commodity circulation). Now it turns out that R327 billion will be gained during the remaining nine months, making it an increase of 90 percent. What is the difference, do you suppose—60 or 90? But we are talking about the fact that the new government wants the people to believe it; to achieve this, it has to tell the truth, or at least not tell lies.

Second: the level of compensation. Everything started with the 60 percent proposed by N. Ryzhkov in May; then we had a statement about 85 percent, and only because the remaining 15 percent simply cannot be collected into the budget. What does the minister of finance say? According to him, the total figure for compensation should include R25 billion for new military expenditures, about 85 percent of which would result from the increase in the cost of materials and supply (15 percent is about R3.5 billion, or about R60 per person for 6.5 million people for nine months); R13 billion for the maintenance of budget-financed organizations (this does not include salaries, they were counted earlier); and an R18-billion salary increase in the non-production sector, not counting compensations (this is simply a new budget program which did not have an income source before).

Let us add to this the fact that an increase in enterprise income has also been taken into account. What remains unclear is where the R50 billion, V. Orlov mentioned, came from? The annual profit of a little less than R300 billion; take 10 percent for three quarters that the minister refers to in his interview—this comes to about R22 billion. All in all, the net compensation total, after accounting for lower income tax, will come to about R225 billion, or approximately 70 percent of the price increase. By itself, such a level of compensation would be the maximum allowable and desirable from the macro-economic point of view; we wrote about it in IZVESTIYA this February, quoting expert opinion on this issue. Such a step would have allowed an improvement—although not by much—in the condition of the consumer market, and the population's current income and expenses to be brought into balance. But this would have been true only if this gain was not recycled through the budget once again as state expenses. But this is precisely what we did.

Third: military expenditures. There were heated debates in the press between the "generals" and "civilians" on the topic of how much we spend on defense. The "generals" insisted on the veracity of the budget figures, while the "civilians" conducted expert evaluations that were coming up with results twice as high. Now the picture has become somewhat more clear, and it has turned out that as a result of removing the R134-billion subsidy military expenses will grow by R21 to R22 billion (R3 to R4 billion for law enforcement organs for nine months). This means that the military's share in the remaining R116 billion in subsidies (230 minus 134 plus

20) will come to another R18 to R19 billion. In sum, it will comprise about R55 billion per annum, or 57 percent of approved military budget. And if we search every nook and cranny of the budget, the "civilian" estimates may turn out to be very close to reality.

And last: Did the budget gain anything? I think the reader is tired of figures by now, so I will simply present the final results. In my estimate, the budget gain (calculated for nine months) may come to R30 billion, which should result in the reduction of the budget deficit. According to V. Orlov, there will be no gain because of the new expenses (defense and nonproduction sector, including increase in salaries), or it may even be a potential loss, if we take into account a partial repeal of the sales tax and trend on the part of some republics to pullout. But let us take an in-between estimate (R15 billion), which will comprise less than 10 percent of the budget deficit for this year. Thus, an alarm signal from the USSR Gosbank [State Bank] about the state of the budget in the first quarter will probably sound again, and more than once.

When a battle of programs was on in the summer and fall of 1990, the main argument in favor of a centrally imposed increase in all prices was the assumption that such a step would permit the reduction of price subsidies and the normalization of the budget. What did we get? The volume of subsidies declined from R130 billion in 1990 to R116 billion in 1991, but at the same time the budget deficit grew from R80 to R160 billion. Taking into account the general 1.5 to 1.6 times price increases, the 1991 figures should be proportionally reduced, but in general the result is obvious: the mountain went through labor, and a mouse was born. In May 1990, the price reform was a key element in stabilizing the financial system; its implementation in April 1991 resulted only in stroking the author's ego.

It is clear that the government now hopes to improve the state of finances dynamically, at the cost of inflation. Such attempts have never been successful in world history.

This means only one thing, though: as long as our state keeps trying to spend more than it can collect, even the most devious schemes will not be able to save us and make our life even a little bit better.

### Conflicting Union, Local Pricing Causing Confusion

914A0633A Moscow TRUD in Russian 13 Apr 91 p 1

[Article by O. Osipov under the rubric "Consumer-91": "Price Is No Object?"]

[Text] *Large-scale price increases have not made prices stable; for some of the goods, so-called contract (free) prices remained. This is probably what made it possible for the USSR Cabinet of Ministers to call the price increase a reform and present it as a step towards the*

*market. As an illustration, below are two lists of food products on which contract prices are introduced.*

**By Union Government decree these include:**

Hard salamis  
Ice cream  
Fancy buns and breads  
Pretzels, biscuits, toasted breads, bread sticks, rolls, and croissants  
Crepe and pancake flour  
Confections (except hard candy)  
Soft drinks and mineral water  
Rabbit meat  
Live fish  
Fortified cereals  
Starch  
Tea with herbal additives  
Imported tobacco items.

NOTE: Governments of Union republics may add items to this list, or clarify it, within the boundaries of their competence.

**By the decision of the Moscow City Council:**

Flour-based confectionery items: spice cakes with filling, spice cakes of "Souvenir" type (in boxes), spice cakes of custard-based gingerbread type, rolls, gingerbread, sets of cookies and wafers, sets of pastries, Middle Eastern sweets, wafer tortes, fancy buns and breads, semi-prepared flour-based goods (dough).

Subproducts include: edible beef and pork bones

Forest game

Live fish and crayfish

Potato-based items, horseradish, bay leaves

Canned vegetables and fruit—imported and domestically produced (except for baby food)

Fresh vegetables (except potatoes, white cabbage, carrots, and beets)

Fresh herbs (dill, parsley, and others)

Fresh fruit (except apples)

Fresh berries

Processed vegetables, fruit, and berries

Dried fruit Nuts and mushrooms—dried, salted, or pickled

Soft drinks and kvas

Desserts (cremes, jellies, etc.)

Flowers and flower products, seeds and seedlings of fruit and berry cultures, vegetable seedlings.

We will let the reader compare these tables, having only noted that no less motley a picture exists in the republics. But then a small nuance comes through: on the one hand, local authorities are supposed to take care of the people, using all means at their disposal to prevent a decline in the standard of living. On the other hand, an increase in the flow of goods can be achieved—at least this is the current idea—by raising prices, to give the producer an incentive. The latter, in turn, should make an effort to find a buyer that will make a profit for him. It appears that something close to a market economy comes out of it. The trouble is, it is not the producers who compete in this situation, but the consumers, taking more and more out of their lean wallets.

This is happening not just because of the totality of shortages. The main problem is that under the existing system prices are agreed upon not by producers and consumers via commercial middlemen (as the entire civilized world does). In this case the authorities, who set these free prices, agree on these prices with the retail sector, which belongs to the same authorities. And a considerable share of the proceeds goes into budgets—from the Union down to the local level. Add to this various ministries and departments, which pursue their own interests, all kinds of city and rayon administration retail networks, which also have to maintain their apparatus, and the picture becomes clear. In the final count, immediate producers receive little, and they are not interested in increasing the production and creating competition in the marketplace.

That is why it seems that without privatization of the retail trade, without liberation of commercial activities, without an immediate removal of departmental diktat over the producer, freeing the prices is meaningless. This measure by itself is not going to change the situation in the consumer market. In addition, not everything is clear with higher state prices, either. For instance, what enterprise in its own mind will raise the price of bologna, if the meat in the stores costs less, and the quality of bologna is lousy? This is some kind of national tragedy: In many Moscow stores, for instance, nobody wants to buy this bologna; it sits there and goes bad, but prices remain and no one, except for us, the consumers, is the loser.

## INDUSTRIAL DEVELOPMENT, PERFORMANCE

### Product Diversification at 'Energiya' NPO Described

914A0602A Moscow IZVESTIYA in Russian 5 Apr 91  
Union Edition p 3

[Article by B. Konovalov, IZVESTIYA science commentator: "Household Appliances Instead of Rocket Satellites: Why There Will Be No Mass Layoffs at the Firm Where Gagarin's Spacecraft Was Made"]

[Text] At first glance, the present situation at this enterprise seems simply tragic. The budget allocations were reduced so greatly that it looks as though several thousand persons will have to be laid off. Will the flower of rocketry be thrown out onto the street? Should we break up the creative collective which brought glory to our Fatherland probably more than anything else? This, of course, would be an unjustifiable crime.

And, speaking frankly, when I went out to the Moscow suburb of Kaliningrad, which the older residents still refer to by the nice old Russian name of Podlipka (after the railroad station located there), I really expected to hear the song which has become all-too familiar these days: "We've fallen victim to conversion," "There's no money....," "We're destroying the defense complex....," "Betrayal..."

But I heard nothing of the kind. Instead I encountered energetic persons who are now striving to solve the problem of restructuring space-rocket production. The idea behind this restructuring is a simple one: while maintaining the fundamental potential for space-type work, we must also create a powerful production facility for the national economy.

The essence of this idea was to be seen most vividly in the gigantic, old assembly shop, which is probably as high as a 10-story apartment house. Ranged along one wall to the entire height of the shop were rockets from the very first R-1 to the R-7, that renowned septet whose modifications conveyed the first satellite [sputnik] and later Gagarin into space. Approximately one-third of this huge room had been fenced off by a glass partition, above which a Buran [Snowstorm] looked like it was steaming. Here people were assembling and testing the connecting module which will enable the Buran to operate jointly with the Mir [Peace] Orbiting Station. And all the remaining vast amount of space in this room was occupied by kneaders, i.e., dough-mixers. With their shiny, stainless steel and their distinctively excellent design, they resembled imported models. But they were made right here—at the experimental machine-building plant which is a component of the Energiya NPO [Scientific Production Association]; the latter is now known as the "Korolevskaya [Royal] Firm."

I had occasion to see a caricature [cartoon] spoofing rocketry as follows: instead of rockets, long loaves of bread were being launched into the sky from plowed-up farms, as if to say that this was the cause of our having no bread. The person who created this caricature should be brought into this enormous room so that he could take a look at these "rocket-type machines" for making the dough from which loaves are baked. This automatic unit for bakeries produces 1300 kg of dough per hour.

A great many reproaches and accusations of squandering have been directed at the Energiya-Buran Complex. But, after all, this NPO is prepared to hand over to the national economy some 600 technologies, i.e., manufacturing methods and processes, as well as materials, all of

which were created for this complex! And it is not the fault, but rather the misfortune, of the rocketeers that these technologies or methods are still being poorly utilized. The Energiya NPO is doing as much as possible on its own.

In the shop where fuel tanks for space equipment are made I saw pressurized systems for treating or performing surgical operations in special atmosphere for adults or infants. In essence, this is a spacecraft on earth; it has its own life-support system, special controls, and locks.

In the neighboring area they are constructing a custom-built, oceangoing, 20-meter yacht. It is "riveted" from sheets of a non-corroding aluminum alloy. Up to now such yachts have been made only of wood or plastic. The first riveted yacht is scheduled to take part in the renowned America's Cup races in 1992. If the space-age technology passes this test, then such yachts—which cost more than a million dollars each—will enjoy a large sales market.

Yu.P. Semenov, a corresponding member of the USSR Academy of Sciences and the present-day general designer of the Energiya NPO, has assigned to all the scientific-design and production subdivisions the task of adapting this enterprise to participate in conversion as necessary. Professor V.P. Legostayev, the first deputy general designer, has been specially designated to solve the problems of conversion in a targeted and purposeful manner. And he is consistently promulgating a policy aimed at organically combining the basic or principal lines of this NPO's operations with those of the conversion. This is being done by the very same persons, frequently working in the very same production areas.

Work on the Buran's engines was conducted under the direction of Doctor of Technical Sciences B.A. Sokolov. He was also in charge of this shop's development and series production of the engines for the vortical vacuum compressors used for conveying loose, particulate freight or cargo, for aerating various products—flour, peas, or grain—when storing them unpackaged in bunkers or hoppers, and for packing confectionery items in boxes.

Inasmuch as they made excellent turbine-pump units for the Buran's engines, they were able to create machines which are better than the analogous models turned out by the West German firm of Siemens—the world leader in this field of machine building.

In creating conversion-type products, use is being made of those same methods, materials, and test methods which are used in this NPO's basic line of work and which are still at the top level of world production, i.e., they are state of the art. And this yields splendid results. When the Energiya NPO undertook to create prosthetic devices—a field in which we were still in the "Stone Age"—the world's best firms in this field had a skeptical attitude, and they said something like the following: In about 10 or 15 years, perhaps, you may catch up to us. But now they are engaged in negotiations to set up joint

ventures with us. It took the "royal firm" only a year to reach the very highest level of constructing prosthetic devices. And it is a matter of setting up and fine-tuning an industrial production line, not just turning out test models.

The paradox is that the partners at lower levels lack the money to purchase these prosthetic devices for invalids. Nor can the necessary individual fitting and adjusting be done by the prosthetic workshops which have now begun to obtain modular feet, legs, joints, etc. Our enormous country has only 126 such workshops, whereas Germany has 600 of them. This problem must be solved by the health-care and social-security systems.

But the rocketeers will not let us down. Several artificial legs have already "stepped off" the test stands after three or four years. These people are developing lightweight prosthetic devices for children and women, as well as orthopedic devices to replace certain joints. I was shown some old orthopedic devices weighing 16 kg and some new ones made of titanium or coal-tar-based plastics weighing no more than 1.5 kg. Some 45,000 prosthetic and orthopedic devices will already be produced during this year.

The first prosthetic device was assembled in the shop where at one time the world's first artificial Earth satellites were assembled. And nowadays the Energiya NPO places its own emblem—with a stylized depiction of the first satellite [sputnik]—on these prosthetic devices. And the people at this NPO are just as proud of them as they were of those early satellites [sputniks] at that time.

I have had more than one occasion to write about flights on our spacecraft by cosmonauts from other countries, carried out in the name of unselfishly strengthening friendship and cooperation. They now have turned out to be something like the Russian saying of "tossing the dog a bone." But now I shall try to give you an idea of what we will soon receive for approximately the same money which we are presently paying to our state for the commercial flights of foreign cosmonauts.

The Japanese firm Sanyo is supplying the Energiya NPO with equipment for producing kitchen complexes [?] and vacuum cleaners. The first ships have already arrived from Japan with assembly-lines which the new, two-story, modular building with a total floor space of 6,500 square meters is ready to accept. Construction operations are now proceeding at full speed in the former foundry, i.e., casting shop, which has also been set aside now for the Japanese machine-tool equipment.

"Here's where we used to have the old-fashioned cupolas (furnaces) for casting pig iron," I was told and shown by I.B. Khazanov, the chief plant engineer. "From the ecological point of view it was the dirtiest production line in town. They just could not make up their minds to convert to electric furnaces. They were afraid to shut down the line. But necessity finally compelled them to do so. The employees were told the following: No one

will lose any wages, nor will anyone be laid off. Renovations are now being carried out in these areas, and by the year's end you'll be working on the Japanese equipment and producing consumer goods."

Certain bays which had become covered by soot from the old foundry have already been transformed, while others are having concrete laid on their floors. Here too the walls are being faced with ceramic tiles. Work is proceeding at a fever pitch.

I had a look at the kitchen complexes which will be produced here. They are like wonderful toys! A housewife's dream, they can perform 32 different operations. The very same equipment can be used to organize the production of vacuum cleaners. The total output will be approximately 600,000 machines a year.

Nowdays it is even comical to recall that battles raged over the following question: Should a Japanese journalist be the first person to be launched into space for money, or should the Soviets grant this honor free of charge for the prestige of a poor country? Just ask a housewife who is very eager to buy a kitchen complex.

I can predict a chorus of objections: yachts, kitchen complexes, pressure cookers, vacuum cleaners—these are fine things, but what about our country's rocket power? It has not suffered, and will not. Without cutting back on basic production, the Energiya NPO (if we take all the areas engaged in conversion-type production) has been able to start up another plant with a territory of 34,000 square meters for turning out consumer goods. At our usual pace it would require some 10-15 years to build this plant on the new site. But where are they to acquire the new personnel? How are stores, schools, kindergartens, and polyclinics to be built?

But here this problem is being solved without any harm to the cause or the business at hand. And the main thing is that the NPO, by mass producing consumer goods, will make up for the shortfall in the budget allocations. It will obtain as much as the 50-60 million rubles a year which it needs to support, maintain, and develop Kaliningrad's social infrastructure.

I'm not going to give a detailed written account of this NPO's basic line of operation—that would be too extensive a task. But let me note the main thing which the newspaper critics did not mention in vain. Nowadays the people at this NPO have already begun to keep careful account of how much they will spend and how much they can receive. And the most important thing is, perhaps, that they have begun to pay an enormous amount of attention to equipment and appliances which everyone needs.

"It's no secret to anyone in our field," said Yu. Semenov, "that the military people 'ordered' the Energiya-Buran Complex for us. It was said in conferences at various levels that the American Shuttlecraft as early as their initial orbit or 'pass' could—by making a lateral move—fly above Moscow with a 'dangerous cargo.' We needed

parity; we needed to have the same type of space-rocket system. And we did better than the Americans. But now our former 'orderers' have abandoned it—they have cut back on expenditures for defense. Well now, should this extremely valuable system be thrown into the wastebasket? No, we must simply re-key it to a line of activity concerned with the national economy. We have an extremely acute problem which can be quickly solved by utilizing the Energiya rocket. The latter can operate independently or jointly in a complex with the Buran. What I'm talking about here is organizing communications in our country."

Indeed, each of us knows about the lamentable condition of our communications. The Energiya NPO proposes to put three heavy, universal [i.e., multipurpose], space platforms weighing about 18 tons into a stationary or fixed orbit with respect to their position above the Earth. Because of their complex "filling," we would be able—with the help of some quite simple systems on earth—to provide for our country's needs for multi-program television broadcasting over our entire territory. We could also provide for the needs for trunkline communications channels, telephone service for everyone, including people in rural areas (who are now virtually lacking in telephones), and communications with objects in motion—ships, airplanes, trains, and motor vehicles.

The traditional methods for bringing this about would require at least 70 billion rubles. If simpler communications satellites were used, there would be too many of them. Calculations worked out by specialists of the recently created Energiya-Marafon Association, which already includes more than 50 enterprises, show that they would require only 13 billion rubles to solve this problem.

It is not a journalist's business to compare and analyze such extremely diverse methods of solving the problem. All I can do is testify that the Energiya-Marafon Association is so confident in the prospects of its own plan that it is not asking for budget allocations but merely for credits. This year it has already accepted 540 million rubles in credits. In 1994 it intends to begin operating the system, and preliminary estimates show that it could receive at least 14 billion rubles in profits during the planned 10 years of the complex's operation. Let me emphasize that this is the first Soviet space project which has begun to be carried out based on the principle of credit and the receipt of profits from future services. Commerce has finally arrived in our space industry.

But it would be inexact or imprecise to designate as "conversion" what is now occurring at the Energiya NPO. It resembles more what is called "diversification" in world practice. (To put it simply, a mono-profile production becomes multi-profiled and is able to support the existence of one of its components by means of the profits from another component.) And this is a commonly occurring phenomenon for any large firm living under the conditions of a market-type economy. Rarely do any of them put all their eggs in one "basket";

they prefer instead to put them in two, three, or even more so as to always keep afloat. And, by the way, in the depths of the Energiya NPO there is now emerging a line of activity which, in time, could become at least as important for it as space operations.

Within the world's oceans there are sections of the bottom which are strewn with so-called concretions or nodules; concentrated within them are manganese, cobalt, nickel, copper, and other valuable substances. In the zone with the best future prospects (the Clarion-Clipperton area) the USSR has been allocated a section of the Pacific Ocean bottom which is approximately the size of Hungary for extracting, i.e., mining, these concretions. The Ministry of Geology has long been seeking effective methods for mining them, and it turned for help to the Energiya NPO.

And the latter has now created a system which allows automatic "trucks," guided by special remote-control units, to gather up concretions and convey them to an "elevator." And, with the help of a cable-type system, they would be raised up and on board ocean-going vessels from a depth of six kilometers.

"In contrast to the method of sucking up the concretions from the bottom through a tube or pipe—a method which was previously thought to have good prospects," said Doctor of Technological Sciences L.A. Gorshkov—"our method is ecologically 'clean.' Its productivity is also quite high; mastery of this system requires the efforts of practically all subdivisions, even including the Flight Control Center."

You can see what the scope of operations is—ranging from the deepest depths of the ocean bottom to projects involving the Moon and Mars. All this is within the capabilities of the collective which 30 years ago created the Vostok spacecraft for Man's first flight into space.

## REGIONAL DEVELOPMENT

### Roundtable Focuses on Prospects of Free Enterprise Zones

914A0650A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 2, Jan 91 p 10

[A. Gnidenko report: "Free Zones: Illusions and Reality"]

[Text] *Our weekly has repeatedly discussed the problem of the creation of free enterprise zones (see, for example, "What Is Happening There, in the Zone?" No. 39; "Kuzbass Free Zone. Hopes, Alarms....," No. 48 for 1990). It was emphasized in the material that was published that free zones could be an important factor in the development of market relations in the country, but that their formation should not take place on a basis of dependency and at the expense of other regions. The USSR Gosplan [State Planning Committee] has already received more than 350 proposals and projects concerning the creation of*

*free enterprise zones. Such requests are streaming into the CPSU Central Committee also.*

*In what socioeconomic and political consequences would the mass "zoning" of the country result? What would this do for the people and each person individually? What would be the cost of the creation of each zone individually and of all of them together?*

*It was these questions which were raised for discussion by a "roundtable" organized by the CPSU Central Committee Socioeconomic Policy Department.*

*The meeting was anchored by Nikolay Alekseyevich Stashenkov, first deputy chief of the department.*

The question was put squarely: What is to be done next? And, further: Are some regulations and the formulation of methods documents and enforceable enactments necessary?

**I. Ivanov, deputy chairman of the USSR Council of Ministers GVK [State Foreign Economic Commission]:**

I recall that in the original concept the free enterprise zones were seen as laboratories of the market economy. Now, as can be seen from numerous projects, the laboratory function has receded into the background, and another role—regional development—has become the main one. Developing from what is a special question. It is bad that the zones are being formed without sufficient economic study. This is caused by the lagging at the Union level also. Long arguments are being conducted here on the subject of whether a standard document regulating the formation of free economic zones is necessary or whether it is possible to manage with the adoption of individual decrees pertaining to individual zones. In my view, the adoption of a Union document and a distribution of competence in decisionmaking at three levels—Union, republic and local—are needed, for all that.

At the **Union level** it is necessary to determine the exclusion from legislation and customs conditions and the level of taxes for Soviet enterprises and foreign investors. It is necessary also to decide the following question: Who is the taxpayer in the zone? I share the viewpoint that the zone as a whole should be recognized as the taxpayer and that within it the local authorities should be allowed to determine and collect taxes. There are also questions on the intra-Union borders of the zones. These may, undoubtedly, only be economic borders, without any engineering installations. Yet customs houses are now emerging, and inspections are being carried out.

**Question from the floor:**

The market is disintegrating as it is! Will not the introduction of the zones intensify the abnormal situation that is taking shape today even?

[Ivanov] Yes, there are questions here. And there are no answers to many of them as yet. What, for example,

should the conditions of the supply of products from the zones be, and what about movement of the population and, simply, people on business assignments?

**Comment from the floor:**

Would we not be approaching the point of utter insanity, closing off from the whole country by economic borders such centers as Leningrad and Moscow?!

[Ivanov] This is what I am saying; there has to be a law on the creation and functioning of free enterprise zones, which could remove the serious questions. Take if only, as business managers would say, the damned question of material and technical supply. Removing the government contract from the zone today and, consequently, depriving it of guaranteed material and technical supply would mean cutting the zone off from the whole national economy. Determining a government contract for enterprises located within a zone would mean violating its status. What is the solution to this situation? Establishing a government contract for the zone? But this question also has to be decided at the center level.

But the original question—concerning the creation of a zone—should, in my view, be adopted **at the republic level**. It is at this level that decisions should be adopted on taxes in favor of the republics, the specific application of long-term investment legislation determined, and problems of material and technical supply from republic resources resolved. Certain questions of pricing and, in full, the safeguarding of public order should come under the jurisdiction of the republics.

**The local authorities** should, for their part, adopt even more specific decisions. For instance, undertake the allocation of land. But there are questions to be solved here also. Who in the zone will represent the state, legislative, and executive authorities? People's power should not become bogged down in commerce. Therefore, some organ of economic management, a general manager, so to speak, subordinate to the zonal political authorities, is, with regard to the specifics of the region, essential in the free enterprise zone.

**Yu. Yakovets, head of a department of the USSR Council of Ministers National Economy Academy:**

We actually have at the present time a multitude of plans for the creation of free enterprise zones, and they are involving much discussion. But there is not even a clear legislative definition of what is meant by free economic zone, what the terms of the formation and functioning of the zones should be, and what benefits would be derived from them by foreign companies and our enterprises. Many words, but no action. The drafts do not contain feasibility studies or indicate the results that could be produced by the participation of foreign companies and the attraction of capital investments. There are often not even rough estimates as to the basis on which the zones might make a living. I agree that the localities are in need of considerable assistance with methods. Even in the choice of specialization of the zones (in places this would



be tourism, in others, culture, and so forth). We hear: "But we supply gas, we would make a living on the basis of this!" But what has a free economic zone got to do with this?

To attract capital it is very important to create an infrastructure, and this does not come cheaply! Credit support, on the other hand, requires specific programs. Perhaps we should be giving thought to a specific orientation toward particular countries. Opening the doors, for example, to Italian companies, which are prepared to undertake the extensive modernization of Leningrad.

For some reason or other inadequate use is being made of defense potential, whose resources could in connection with conversion reinforce the zones' starting positions. Why, say, should the military airfields in many regions of the country not be used for "peaceful purposes?"

And one further problem—the practical absence of sociopolitical and ideological support for the preparation for transition to work under free zone conditions. It has to be said plainly here that the CPSU Central Committee has for some reason or other adopted a neutral position, and the USSR Council of Ministers, an extremely cautious one.

**S. Tsiplakov, head of a department at the RSFSR Supreme Soviet International Affairs and Foreign Economic Relations Committee:**

I would put it more precisely: the Union Council of Ministers is in this respect lagging hopelessly behind and if it wants to make up for what it has let slip, it should create some office responsible for creating the zones. Russia at least has an advisory council under the anti-trust committee. Aside from specific assistance to the regions, it is in addition curbing dependent propensities and the working-by-sprouts approach.

It transpires that in many regions it is not simply that they cannot but they do not want to believe what they could produce in the event of their acquisition of free enterprise zone status. One has the impression that the attempts to acquire freedom in the form of a zone are a reaction to supercentralism. For this reason I believe that the process needs to be controlled. But the enactment of a Union law in this connection would be perceived as an encroachment on the sovereignty of the republics.

We cannot under any circumstances create many zones. Take as a basis, say, Nakhodka, Sakhalin, Kaliningrad, and Vyborg, and here really perfect the mechanism of the functioning of the zones and study all the consequences. But we need to maintain a sense of proportion here also. I consider it madness, for example, to introduce a zone in Leningrad, a closed one all the more.

**S. Diykov, head of a department of the USSR Council of Ministers GVK Foreign Economic Relations Research Institute:**

So what is to be done with a process which has been inspired and launched? That same Russian Federation has already announced 11 free enterprise zones. And some "our-region-first approach" has begun. But the question is: Who will pay for all this. After all, the creation of free economic zone is a very costly pleasure! Very large investments and a developed infrastructure are needed. Foreign capital will not be attracted without the latter. Everyone wants to build his own paradise, but what this will cost and who will pay for it—this is for some "mistakes" or wealthy overseas uncles to think about.

For example, from one billion rubles [R] to R5 billion would be required in the first five years, according to precise calculations, for the development of the infrastructure of Nakhodka....

**Comment from the floor:**

Initially they requested up to R7-R8 billion!

[Diykov] Altay Kray believes that "just" R2-R2.5 billion would be sufficient for it; Leningrad believes that it would require R7.5 billion. Vyborg also has presented its "quote"—approximately R2 billion. And this is only in respect to certain zones! What budget could sustain such loads!? Indignant voices are even now being heard from Maritime Kray: Nakhodka would strip us bare! And would not the whole Union be stripped by several free enterprise zones? And what is most notable here is that no calculations are being made as to how the capital investments would be returned. For us this is a customary thing, it may be said. But foreigners can only stand amazed. It is not a question of emotions, of course. They are greatly puzzled: How, when, and in what form might the investments be returned. But who will give them assurances here, if the zones themselves do not have a clue as to how things will proceed with them in the future?

It has to be acknowledged that the zone is a phenomenon that does not lend itself to precise planning or forecasting even. It is possible only in the most general outline to select some directions of development and specialization. For this reason the question of who will pay for the organization of a zone—the Union budget, the republic, or local budgets or foreign companies—remains open. Who will risk capital, what is the degree of risk, what (or who) could prevent the loss of invested capital? Once again, there are no answers, but without them, which foreign investor would venture to finance the nebulous projects?

**V. Sitin, deputy USSR finance minister:**

Where to get the money to create the free economic zone is the main question. No one is giving any thought to this. And those who are doing so are requesting it from the state. But can the state be subsidizing projects of euphoric sovereignizing?! There are with us two extremes: sometimes we lapse into unchecked criticism of the past, sometimes into a euphoria evoked by promises of rapid

prosperity. Recently everyone was all but idolizing joint ventures. There are already on the order of 2,800, but little has come of them.

Now everyone has rushed into the creation of free enterprise zones. It seems to me that we are making a strategic mistake in attempting to transfer all key questions to the localities. But why are foreign investors not bursting into our free enterprise zones? Because they need guarantees, but what guarantees can the local soviets give? And foreign partners are worried, incidentally, not just by the tax system but the returnability of capital and the profitability of their investments. And since we are speaking of the attraction of foreign capital, why not start with the sale of real estate and land? I personally see nothing wrong in this.

**I. Korolev, deputy director of the USSR Academy of Sciences World Economy and International Relations Institute:**

I am an opponent of free enterprise zones in principle! Overseas experience, that of China and Brazil included, is misunderstood with us. Those same Brazilian economists—and we have established pretty good relations with them—are asking with perplexity: What are you doing, where are you going?! They have yet to understand that the free economic zones have become an object of political struggle with us. And also with us there are few people who understand this as yet, although this is, to be honest, the case. True, the economic essence is beginning to reach some people. The leaders of Maritime Kray, who initially were struggling desperately for the creation of a free zone in Nakhodka, are beginning to worry that this city will ruin the whole region.

**Question from the floor:**

What has caused this outburst, this universal aspiration to the creation of free zones?

[Korolev] The fact that no one has ever undertaken the development of the regions in our country and that no one has ever been responsible for this. The zones are the straw now being clutched in order to be able to swim under market conditions.

But would it not be simpler and fairer to bring the structure of production in this region or the other—whether it be a kray, oblast, city or rayon, considering its specifics—to a state of normality? That is, organize the production of what is most essential for the inhabitants, and that which is lacking, purchase?

**V. Shcheglovskiy, deputy chief of a department of the RSFSR Central Committee:**

The main thing is the purpose of creating this zone or the other. It is offensive when a goal that turns us into some unappealing type of puller-in is pushed to the forefront. Come on in, rich uncle from abroad, make things good for us! How are we to understand the “announcement” of Moscow’s Leninskiy Rayispolkom declaring the rayon a “free zone?”

I do not believe that proper free zones which have good labor conditions and real order will be formed here any time soon. In order for foreign capital to come to us, we need political stability in society and firm guarantees, and the Union needs to give its firm “go-ahead.”

**L. Vasilyev, head of a department of the USSR Gosplan NIIPiNa [expansion not identified]:**

Much is mixed up in the aspiration to create free zones—euphoria, political struggle, struggle for survival. The local authorities are engaging in bargaining and endeavoring to wrest from the Union pie as much as possible. There has already been mention here of Nakhodka. I would specify that originally R8 billion was demanded “for the zone,” then, R5 billion, then, R3 billion, and they have stopped at R1.5 billion. I have no wish to continue such examples. The question has already been put: At whose expense are the zones to be created? I believe that the main role in the formation and development of a zone should be assigned commercial credit. It is necessary to create in the zones special banks with extensive possibilities, with regard for the activity of foreign enterprises here. And, further, why does everyone aspire to some standardization and maximization of the zones? There could be technopoles, technical parks, and such compact zones as, say, Sheremetyevskaya. I agree with those who propose for a start limiting the number of zones; their number should be minimal.

**E. Gryaznov, chief of a subdivision of the USSR Gosplan:**

Interest in zones is now, it should be said plainly, spearheading the separatist mood and aspirations. It is necessary to take this into consideration and perform active explanatory work. We cannot lose sight of this political aspect. The negative aspect of the “sovereignty parade” is making itself known today even. Yet the free enterprise zones are sovereignty of a higher order.

**O. Mozhayskov, chief of the USSR Gosbank Currency and Finance Administration:**

The free economic zone concept in its original form, that is, as a laboratory of the market economy, has no right to exist today. We should today proceed from a clear understanding of the fact that the zones should not uncouple but link our economy in a single complex. I agree with the assertion that laws with certain exclusions may operate in the zone, but these exclusions must not affect monetary and credit policy. The ruble must remain the common national currency.

**S. Dadiy, deputy chief of the USSR Bank for Foreign Economic Relations Planning-Economic Administration:**

The free enterprise zones will become dead zones unless we pursue an active regional policy and unless we formulate the goals of the development of the regions and the methods of achieving them. Of course, foreign

investments could be of great significance for the development of the regions. But how to attract them? Mainly the country should have for this precise legislation, which is as yet lacking. The situation will not change until we achieve this minimum of a civilized state. In fact, how is it possible to calculate something, beginning with taxes, if there is no firm basis for this?!

Further, guarantees for foreign investors are very important, but guarantees of what? Of course, protection of investments, against "nationalization" included, if only indirect, is important. The main thing, in my view, however, lies elsewhere: guarantees of the return of invested capital are needed. And, further, in what form will they be returned to the foreign investor and how will the proceeds be realized.

**From the editors:**

In publishing the "roundtable" material we would like to call particular attention to the disquiet expressed by its participants concerning the extremes in the creation of free zones. Their ill-considered, hasty organization could lead to a breakup of the all-Union market. On the other hand, the total denial of the new possibilities of the development of the regional economy propounded by certain economists would lead to isolation and the destruction of mutually profitable world-economic relations. How to avoid the extremes?

We invite readers to continue discussion in the weekly on problems in creating and developing free enterprise zones.

## POLICY, ORGANIZATION

### Law on RSFSR State Taxation Service Published

914A0649A Moscow SOVETSKAYA ROSSIYA  
in Russian 18 Apr 91 First Edition p 4

["Russian Soviet Federated Socialist Republic Law: 'On the RSFSR State Taxation Service'"]

[Text]

#### Chapter I: General Provisions

**Article 1.** The RSFSR State Taxation Service is a unified system for monitoring compliance with the tax legislation, and the full and timely payment of taxes and other compulsory payments established by the legislation of the RSFSR and republics belonging to the RSFSR, to appropriate budgets.

**Article 2.** The unified system of the RSFSR State Taxation Service consists of the Main State Tax Inspectorate of the RSFSR Ministry of Finance, state tax inspectorates of the ministries of finance of the republics belonging to the RSFSR, and state tax inspectorates in the krais, oblasts, autonomous oblasts, autonomous okrugs, rayons, cities, and city rayons, which are corporate persons.

In performing the functions entrusted to them, the state tax inspectorates report to the RSFSR Ministry of Finance, the appropriate ministries of finance of the republics belonging to the RSFSR, and superior state tax inspectorates.

**Article 3.** In their operations, the state tax inspectorates are guided by the USSR Constitution, the RSFSR Constitution, the constitutions of the republics belonging to the RSFSR, the present law and tax legislation of the RSFSR and the republics belonging to the RSFSR, and decisions and resolutions on tax issues adopted by the local soviets of people's deputies within the proper jurisdictions and within the framework of powers granted to them.

**Article 4.** The state tax inspectorates operate in coordination with the organs of state power and government of the administrative-territorial and national-state entities.

**Article 5.** The organs of the RSFSR Ministry of Internal Affairs must render practical assistance to the employees of the state tax inspectorates in the line of duty by ensuring that the measures are taken which the law envisages for punishing individuals who forcibly counteract the performance of their official functions by the employees of the tax inspectorates.

#### Chapter II: Tasks, Rights, and Responsibilities of the State Tax Inspectorates

**Article 6.** The main task of the RSFSR State Taxation Service is to monitor compliance with tax legislation, correct computation, and full and timely payment of

state taxes and other payments established by the legislation of the RSFSR and republics belonging to the RSFSR to appropriate budgets.

**Article 7.** The Main State Tax Inspectorate of the RSFSR Ministry of Finance, state tax inspectorates of the ministries of finance of the republics belonging to the RSFSR, and state tax inspectorates in the krais, oblasts, autonomous oblasts, autonomous okrugs, rayons, cities and city rayons are given the right:

1. To carry out audits of financial documents, ledgers, reports, plans, cost estimates, declarations, and other documents associated with the computation and payment of taxes and other compulsory payments to the budget in ministries and departments, at enterprises, offices, and organizations based on all forms of property, including joint enterprises, associations, and organizations with the participation of the Soviet and foreign corporate persons and individuals, foreign citizens, and stateless persons (henceforth referred to as enterprises, offices, organizations, and citizens); to receive necessary explanations, reference materials, and information regarding issues which come up in the course of audits, with the exception of information constituting a commercial secret which is determined through procedures set forth in legislation.

2. To monitor compliance by citizens involved in entrepreneurial activities with the legislation, and to grant licenses and certificates of registration to citizens engaging in individual labor activities on the basis of the decisions of the executive committees of the soviets of people's deputies.

3. To receive from enterprises, offices, and organizations (including banks and other finance and credit establishments), as well as citizens with their consent, certificates, documents, and copies of the above pertaining to the economic operations of taxpayers which are necessary for correct taxation.

Officials of the Taxation Service must keep information on the deposits of citizens and organizations confidential.

4. To inspect in the line of their duties, pursuant to appropriate rules, all production, warehouse, trade and other premises of enterprises, offices, organizations and citizens which are used to generate profits or are associated with the maintenance of objects of taxation, regardless of their location. If citizens refuse to allow the officials of the State Taxation Service to inspect the above premises, the state tax inspectorates are entitled to determine the taxable profit of such persons on the basis of documents showing the profits they receive and taking into account the taxation of persons engaging in similar operations.

5. To demand that the managers and other officials of the enterprises, offices, and organizations inspected, as well as citizens, eliminate detected violations of the legislation on taxes and other compulsory payments to

the budget and of the legislation on entrepreneurial activities, and to monitor compliance with them.

6. To suspend the operation of enterprises, offices, organizations and citizens on their current and other accounts in banks and other financial and credit institutions in the event they fail to provide (or refuse to provide) to the state tax inspectorates and their officials accounting reports, balance sheets, calculations, declarations, and other documents associated with the computation and contribution of taxes and other compulsory payments to the budget.

7. To confiscate from enterprises, offices, and organizations documents indicating the concealment or understatement of profits (income) or the concealment of other objects from taxation, simultaneously inspecting documents and recording their content. The volume and composition of the documents confiscated are set forth in the instruction of the Main State Tax Inspectorate.

A substantiated written resolution by an official of the tax inspectorate is the basis for seizing appropriate documents.

8. To use financial sanctions against enterprises, offices, organizations, and citizens in the form of collecting:

- the entire amount of concealed or understated profit (income) or the amount of tax on other concealed (unregistered) objects of taxation and a fine in the same amount, and in the case of a repeat violation—a fine of twice the amount;
- ten percent of the amount of taxes or other compulsory payments due for the absence of recording profit (income) or recording them with violations of the established procedures, as well as for the failure to file, or failure to file in a timely manner, tax declarations, reports, calculations, and other documents which are needed to compute and pay taxes and other compulsory payments to the budget.

9. To collect for the budget, through unappealable procedures from enterprises, offices, and organizations, and through the courts from citizens, taxes, and other compulsory payments to the budget which are in arrears, as well as the amounts of the fines and other sanctions envisaged by Point 8 of the present article and other legislative acts of the RSFSR and the republics belonging to the RSFSR.

10. To file petitions seeking to forbid engaging in individual labor activities through established procedures.

11. To bring lawsuits in the courts and in arbitration:

- to liquidate an enterprise of any organizational and legal format for causes set forth in the legislation of the RSFSR, to invalidate the registration of an enterprise in the event established procedures for setting up an enterprise have been violated or the charter documents fail to comply with the requirements of the law, and to recover profits generated in such cases;

- to find transactions void, and to confiscate everything obtained in such transactions as the revenue of the state;
- to recover assets acquired without grounds as a result of other unlawful actions rather than through a transaction.

12. To fine through administrative procedures:

- officials of enterprises, offices, and organizations guilty of concealing (understating) profits (income), or concealing (understating) other objects of taxation, as well as of failing to keep accounting records or keeping them with violations of the established procedure, distorting accounting reports, failing to file, filing late, or filing in a format other than prescribed, accounting reports, balance sheets, computations, declarations, and other documents associated with the computation and contribution of taxes and other payments to the budget—between 200 rubles [R] and R500 per each person guilty, and for the same actions committed for a second time within one year of the imposition of a statutory penalty—between R500 and R1,000;
- citizens guilty of violating the legislation on entrepreneurial activities or engaging in entrepreneurial activities which are expressly forbidden, as well as citizens guilty of failing to record income or recording it with violations of the established procedures, failing to file income declarations, filing them late, or entering distorted data in the declaration—R200 to R500, and for the same actions committed for a second time within one year of the imposition of a statutory penalty—R500 to R1,000;
- managers and other officials of enterprises, offices, and organizations, as well as citizens, failing to comply with the requirements of the state tax inspectorates and their officials—R250 to R500.

**Article 8.** The rights of the state tax inspectorates envisaged by Points 1 through 7 of Article 7 of the law are granted to the officials of these inspections, and the rights envisaged by Points 8 through 12 only to the chiefs of state tax inspectorates and their deputies.

**Article 9.** The Main State Tax Inspectorate of the RSFSR Ministry of Finance is given the right to abolish the decisions of state tax inspectorates of the ministries of finance of the republics belonging to the RSFSR, and state tax inspectorates in the krais and oblasts, and the cities of Moscow and Leningrad if they do not comply with the law, and state tax inspectorates of the ministries of finance of the republics belonging to the RSFSR, and state tax inspectorates in the krais, oblasts, autonomous oblasts, autonomous okrugs, and cities divided into rayons are given the right to abolish the decisions of subordinated state tax inspectorates.

**Article 10.** The officials of state tax inspectorates must strictly comply with the USSR Constitution, the RSFSR Constitution, the constitutions of the republics belonging to the RSFSR, the laws of the RSFSR and the republics belonging to the RSFSR, and other normative

acts, rights, and interests of enterprises, offices, organizations, and citizens protected by law.

### **Chapter III: Responsibilities of the State Tax Inspectorates**

**Article 11.** The state tax inspectorates are responsible for the complete and timely registration of all taxpayers—enterprises, offices, and organizations based on all forms of property, and for administering document audits on their premises of correctness, completeness, and timeliness of the transfer of taxes and other payments to the budget as the need arises, but at least once in two years.

**Article 12.** The officials of the state tax inspectorates are subjected to disciplinary, material, and criminal penalties in keeping with the legislation in effect for failing to discharge their responsibilities or discharging them improperly.

**Article 13.** The amounts of taxes and other compulsory payments collected by the state tax inspectorates shall be refunded, and losses (including lost profits) inflicted on a taxpayer by the illegal actions of the state tax inspectorates and their officials shall be recovered through the procedures established by the law.

**Article 14.** Complaints by the enterprises of all organizational and legal formats regarding the actions of the officials of the state tax inspectorates are filed with the state tax inspectorates to which they report directly. The complaints are reviewed, and decisions are made on them, no later than one month from the day the complaints come in. The decisions on complaints may be appealed within one month to the superior state tax inspectorates.

If an enterprise disagrees with the decision of the Main State Tax Inspectorate of the RSFSR Ministry of Finance, it may be appealed by this enterprise to the RSFSR State Arbitration Office.

If citizens disagree with the decisions made, the actions of the officials of the state tax inspectorates are appealed through the courts.

The filing of a complaint does not suspend the appealed action of the officials of the state tax inspectorates.

Actions of the officials of the state tax inspectorates involving the imposition of administrative penalties are appealed in keeping with the legislation of the RSFSR and the republics belonging to the RSFSR on the statutory violations of law.

### **Chapter IV: Other Issues of the Operation of the State Taxation Service**

**Article 15.** Procedures for providing office space, transportation, computer equipment, and other material-technical assets for the RSFSR tax organs, and for providing housing, preschool facilities, and schools for

their employees are established by the RSFSR Council of Ministers and the councils of ministers of the republics belonging to the RSFSR.

**Article 16.** All employees of the state tax inspectorates shall carry mandatory state personal insurance at the expense of the funds of the RSFSR republic budget.

**Article 17.** In the event of the death of an employee of the state tax inspectorate in the line of duty, the family of the decedent or his dependents are paid a lump-sum benefit amounting to 10-years' salary of the decedent from the funds of the RSFSR republic budget, with the subsequent collection of this amount from the guilty individuals. If an employee of the state tax inspectorate suffers a heavy bodily injury which rules out the further possibility of engaging in professional activities, he is paid a lump-sum benefit amounting to five years' salary from the funds of the RSFSR republic budget, with the subsequent collection of this amount from the guilty individuals, as well as the difference between the amount of his salary and his benefit for 10 years.

If a less extensive bodily injury is inflicted on an employee of the State Taxation Service, he is paid a lump-sum benefit amounting to five month's salary from the funds of the RSFSR republic budget with the subsequent collection of this amount from the guilty individuals.

Damage inflicted on the assets of an employee of the State Taxation Service (or his immediate relative) in conjunction with his official activities is refunded in full from the funds of the RSFSR republic budget with the subsequent collection of this amount from the guilty individuals.

**Article 18.** The following class ranks are introduced for the managers and specialists of the tax organs:

Chief state counselor of the taxation service,  
State counselor of the taxation service first rank,  
State counselor of the taxation service second rank,  
State counselor of the taxation service third rank,  
Counselor of the taxation service first rank,  
Counselor of the taxation service second rank,  
Counselor of the taxation service third rank,  
Inspector of the taxation service first rank,  
Inspector of the taxation service second rank,  
Inspector of the taxation service third rank.

The class ranks of the chief state counselor of the taxation service and first, second, and third rank state counselors of the taxation service are awarded by the RSFSR Council of Ministers; first, second, and third rank counselors of the taxation service, by the RSFSR minister of finance; and first, second, and third rank

inspectors of the taxation service, by the chief of the Main State Tax Inspectorate of the RSFSR Ministry of Finance.

The class ranks are awarded in keeping with the position held, skills, and work tenure. The RSFSR Council of Ministers adopts Regulations on the Class Ranks of the State Tax Inspectorates and the amount of bonuses for class ranks.

*[Signed] Chairman of the RSFSR Supreme Soviet B.N. Yeltsin, Moscow, the RSFSR House of Soviets, 21 March 1991*

### Resolution Enacting Taxation Service Law

914A0649B Moscow SOVETSKAYA ROSSIYA  
in Russian 18 Apr 91 First Edition p 4

["Resolution of the RSFSR Supreme Soviet on Procedures for the Enactment of the RSFSR Law: 'On the RSFSR State Taxation Service'"]

[Text] The RSFSR Supreme Soviet resolves:

1. To enact the RSFSR law: "On the State Taxation Service" from the day of its publication.

2. To establish that the USSR law dated 21 May 1990: "On the Rights, Duties, and Responsibilities of the State Tax Inspectorates" and the resolution of the USSR Supreme Soviet dated 21 May 1990: "On Procedures for Enacting the USSR Law: 'On the Rights, Duties, and Responsibilities of the State Tax Inspectorates'" are applied in the territory of the RSFSR insofar as they do not contradict the RSFSR law "On the State Taxation Service of the RSFSR."

3. The RSFSR Council of Ministers shall:

—before 1 July 1991, bring the resolutions of the RSFSR Government into compliance with the RSFSR law: "On the RSFSR State Taxation Service";

—within one month of the date of publication of the RSFSR Law: "On the RSFSR State Taxation Service," submit to the RSFSR Supreme Soviet Presidium legislative proposals:

on establishing penalties for encroachments on the health and life of the employees of the state taxation service;

on corresponding amendments in the RSFSR Code of Statutory Violations of Law;

—within two months, consider the issues of organization, staffing, and material-technical and social-service support for the operation of the RSFSR state taxation service, with a view to increasing its level substantially;

—consider measures to create information systems which will ensure the efficiency of the operation of the state taxation inspectorates.

4. To instruct the RSFSR State Committee for Statistics and the RSFSR Ministry of Finance to establish, within two months of the adoption of the RSFSR Law: "On the RSFSR State Taxation Service," procedures and deadlines for the filing of statistical reports on the amount of taxes and other payments actually taken in by the budget.

*[Signed] Chairman of the RSFSR Supreme Soviet B.N. Yeltsin, Moscow, the RSFSR House of Soviets, 21 March 1991*

### Voronin Presents Outline of RSFSR Economic Program

914A0603A Moscow RABOCHAYA TRIBUNA  
in Russian 3 Apr 91 pp 1,2

[Summary of program presented by Yu. Voronin, doctor of economic sciences, at the 3rd Special Congress of the Russian People's Deputies: "How To Emerge From the Crisis"]

[Text] Yesterday the Russian deputies had a busy day. The publicly elected representatives discussed the speech of RSFSR Supreme Soviet Deputy Chairman R. Khasbulatov on the national-state organization of the RSFSR (on the federative agreement), on the results of the RSFSR referendum, and on the agreement on a union of sovereign republics. Debates continued about the means of bringing the country out of the economic crisis. In the days of work by the Congress, four programs have been presented to its participants. One of them was presented by Doctor of Economic Sciences Yu. Voronin. Among the scientists who prepared [this program] were Professor N. Vedernikov, doctor of juridical sciences; Professor G. Vyatkin, USSR Academy of Sciences corresponding member and doctor of technical sciences; S. Mikheyev, doctor of technical sciences; Professor O. Tiunov, doctor of juridical sciences; Professor V. Sokolov, doctor of physico-mathematical sciences, and others.

We present the basic principles of this program for your attention.

#### I. To Create Conditions for Stabilization of the Economy

It is impossible to achieve stabilization of the RSFSR economy under conditions of the opposition against the union center which has arisen. Political accord, strict adherence to laws, and a sufficient level of discipline among the citizens are needed as never before. We must immediately stop the confrontation, define the limits of authority of the USSR Cabinet of Ministers and RSFSR Council of Ministers in the form of an agreement, and if possible bring the previously published resolutions and decisions into mutual correspondence in the shortest time possible.

We must give real consideration to the danger of the destructive consequences which the absolutization of the thesis of supremacy of local legislation over central holds

for the economic complex of each republic. The division of the country and the republics which comprise it into separate states means a change in the character of the economic relations between them, and will break up the unified economic space.

The effort to replace the Union Agreement with inter-republic agreements contradicts the principle for formulation of market relations. With such an approach, the subject of economic management becomes the republic and the territory, and not the enterprise. The center's efforts to create a free market space are hanging in mid-air. We cannot allow this.

## II. Immediate Measures for Stabilization of the Economy

For the period of stabilization, we must legislatively secure the priority of economic relations which have been formed in the unified economic space. We must stop the forced destruction of regional, intra-sectorial, and intra-departmental specialization and cooperation of production. We must adopt a law on prohibiting stoppages of production for political motives, and a law on administrative responsibility of the organizers of political strikes which inflict loss upon the national economy.

We must compile a special budget for the second half of 1991. We must close budget financing on all articles of expenditures without which we may ensure the functioning of organizations and institutions at the achieved level.

We must coordinate with the union laws the RSFSR's adoption of legislative statutes on questions of banking activity.

We must change over to the formulation of budgets for local Soviets on the basis of long-term stable standards. We must establish direct dependence of each local Soviet's budget on the profit generated on its territory or the income obtained by the enterprises.

We must develop the banking network of the RSFSR Vneshtorgbank [Foreign Trade Bank]. In order to attract foreign capital, we must allow leasing of various types of property and ensure legal protection of foreign investors on RSFSR territory.

We must conduct the continued transformation of the effective organizational structure of management, beginning with the RSFSR Council of Ministers, with gradual liquidation of the agencies and structures which have exhausted themselves in connection with the development of market relations. At the same time, we must not break the existing links without creating the necessary prerequisites for this.

For the period of stabilization of the socioeconomic situation, we must declare a moratorium on all adopted republic and local legislative statutes which contradict the all-union and republic laws.

## III. To Give the Economy Greater Social Directionality

We must prevent the continued decline in agricultural production, bring about order in the interrelations between the industrial and agrarian sectors, and give organized state aid to agriculture.

We must introduce fixed wholesale prices on all material-technical resources secured for the agro-industrial complex. In the case of their continued growth, we must perform systematic indexing of state purchase prices.

In 1991 we must introduce a system of payment in kind for labor at RSFSR kolkhozes and sovkhozes in the sum of up to 10 percent of the labor wage. Moreover, accounting with the workers must be performed up to the farm's final accounting with the state.

Within a month's time, we must ensure the transfer of ineffectively utilized lands held in the state fund to the general public which wants to work the land to grow potatoes and vegetables.

We must remove the limitations from the development of personal subsidiary farms.

The RSFSR Supreme Soviet must adopt legislative statutes: On the priority provision of the APK [agro-industrial complex] with material-technical resources; on maintaining equivalency of intersectorial exchange between agriculture and other sectors of the economy; on the land tax, and on the Land Codex.

For purposes of stimulating the production of consumer goods and paid services:

- we must grant enterprises the right to retain their profits from the sale of goods and services over the level achieved for the corresponding period last year;
- we must determine that the obtained increase in production of non-food products as compared with the level achieved for the corresponding period last year is utilized at the equal discretion of the enterprise-producers and the local Soviets of People's Deputies;
- we must strengthen discipline of raw goods and materials deliveries for the production of goods and services. If the allocated funds are not used in accordance with their designated purpose, the enterprises reimburse to the budget up to 50 percent of the cost of the goods and services which could have been produced from the indicated resources.

We must declare a two-year moratorium on the reduction of production volumes of necessary products for ecological considerations, and restore the project capacities. In 1991 we must open all the plants in the pharmaceutical industry which have been abandoned for this reason.

We must review the possibility of expanding the production of products (in aerospace technology, aircraft construction, shipbuilding, isotope industry, etc.) which



might become the object of export, sale of licenses, or performance of services for other countries.

We must complete the formulation of the republic's construction complex, for which we must accelerate the transfer of construction and installation organizations of union ministries and departments operating on the republic's territory to the jurisdiction of the RSFSR government.

#### **IV. To Regulate the Process of Transforming Ownership Relations**

As soon as possible, we must make decisions on delineating the subordination of state property by levels of management of the USSR, RSFSR, subjects of the federations and local Soviets, and regarding the sequence and timetables for denationalization.

We must declare a moratorium on privatization until we develop a clear-cut mechanism, free of bureaucratic tyranny, which will implement denationalization in the interests of increased production effectiveness.

The process of denationalization must be given a public character, and state enterprise collectives must have the right to full economic ownership and disposal of the property and products of their labor. We must transfer the predominant portion of ownership to the hands of the labor collectives on a non-compensated basis. All the transformations of ownership must be performed with the direct participation of the labor collectives, in their interests and under control on the part of society.

In the initial period of reformation of ownership relations, the closure of enterprises which are operating at a loss or showing little profit for purposes of financial economy must not be permitted.

#### **V. To Ensure Effective Social Protection of the Population**

In formulating market relations in the economy, the state will ensure the creation of a mechanism of effective social protection of the people, and through the public consumption funds will guarantee a minimal level of social benefits for all strata of the population. The increased living standard of able-bodied citizens and the satisfaction of social-cultural and domestic needs of the population must take place first of all through each individual's personal contribution to social production.

#### **Existing RSFSR Law Penalizes Private Business Activity**

914A0632A *Moscow IZVESTIYA in Russian* 13 Apr 91  
*Union Edition* p 7

[Article by Sergey Mostovshchikov under the rubric: "Going Through the Motions:" "Has the Time Come To Put Merchants Behind Bars?"]

[Text] Several days ago, our state acknowledged that all forms of entrepreneurship, including private, are socially

useful provided, of course, that they take place within the framework of the existing law. As I have verified, page 94 of the law in effect—the RSFSR Civil Code—indeed contains a reference to private entrepreneurial activities and even to commercial brokerage. This reference is called Article 153.

This is an interesting article. I quote: "Private entrepreneurial operations involving the use of state, cooperative, or other public forms are punishable by the deprivation of freedom for a term of up to five years with the confiscation of property, or exile for a term of up to five years with the confiscation of property, or a fine of between 200 rubles [R] and R1,000."

It also says interesting things about commercial brokerage. The latter, if performed by private individuals as an enterprise or to enrich themselves, also brings five years with confiscation or the same exile, but for three years, with a fine of up to R700. Article 153 makes a special statement about enrichment because the word "enrichment" has magical power in our country, unlike, for example, the law-abiding notion "impoverishment." So, the law in effect promises you 10 years with confiscation for enrichment on a particularly large scale by way of private entrepreneurial activities or commercial brokerage. As they say, here it is for you, bastard, for having R100.

In the words of Chairman of the Moscow City Court Zoya Koreneva, it is not at all surprising that at a certain point such an article was added to Soviet legislation. The planned economy and inescapable socialist property were to be codified by legislative acts of an absolutely definite kind. In that sense, Article 153 is even a quite honest criminal provision which does not stoop to sly statements of the type "the entrepreneur is a villain because he robs and exploits common, honest people." After all, Articles 153 and 154 (speculation) are found in the chapter "Economic Crimes." Thus, they clearly give the understanding that the Soviet state is not concerned about rank-and-file citizens but rather wants to reserve for itself the monopoly right to all types of commerce and speculation.

All of this is in the nature of things. Something else is surprising. As Zoya Koreneva maintains, Article 153 of the RSFSR Criminal Code has long been among those inactive, but still has not been deleted from the Code. The chairman of the Moscow City Court says that they have not been throwing people in jail for private entrepreneurial activities for at least six or eight years now. Zoya Koreneva was able to recall one case in which Article 153 was invoked, among others. It happened in the early 1980's. At the time, they put in the slammer a specialist on furniture restoration with a golden touch. He restored unique pieces of antique furniture for the people at a state shop for an extra fee.

The chairman of the court says that she personally will not consider any case involving charges of private entrepreneurial activities against an individual at this point,

in 1991, because times have clearly changed, and Article 153 should cease to exist. More civilized acts are needed instead, which regulate proper relations between the entrepreneur and the state, such as the timely and honest payment of taxes, registration procedures, and so on...

I understand our domestic Themis very well because if we began to apply Article 153 meticulously at present, facilities for the deprivation of Soviet freedom would be simply unable to withstand the stream of prisoners. There is one thing I fail to understand: Article 153 of the RSFSR Criminal Code is a **law in effect** (!) which nobody has so far repealed, along with the USSR law: "On General Guidelines for Entrepreneurial Activities by Citizens in the USSR" which took effect several days ago. That is to say, the state is entitled to both put an entrepreneur in the slammer and praise him.

Of course, there are many things in our country which are mighty surprising. However, with all due respect, why are we upset then by the high prices in commercial stores which have spread extensively in our country? So, you will ask me:

—Why are prices so high in these shops?

And I will respond:

—Because they include a tax on the idiocy of the system.

## Moldovan Law on Property

### Text of Law

914A0612A Kishinev SOVETSKAYA MOLDOVA  
in Russian 27 Mar 91 p 3

["Law of the Moldovan SSR on Property"]

[Text]

### Chapter I. Basic Provisions

#### Article 1. The Right to Property in the Moldovan SSR.

The right to property in the Moldovan SSR is recognized and protected by law.

The owner has the right to own, use, and dispose of assets. Ownership of assets consists of actual possession of assets; use of assets consists of the consumption of the useful features of the assets; and disposal of assets consists of the determination of the fate of the assets.

The owner has the right to commit any actions in regard to his assets that do not contradict the law and do not cause harm to the health of people or damage to the environment.

#### Article 2. Types of Property.

Three types of property exist in the Moldovan SSR: private property, collective property, including collective farm property, and state property.

Establishment by the state of any form of limitations or preferences on the implementation of the right to property depending on the type of property is not permitted.

#### Article 3. Forms of Property.

The Moldovan SSR permits the operation of the types of property in various organized forms: individual, family, and peasant farms, cooperative and joint-stock companies, economic societies, state enterprises and institutions, municipal and public organizations and movements, mixed forms, including those with the participation of citizens and corporate bodies of other states, as well as other forms not prohibited by law.

#### Article 4. Legislation on Property.

This law, in accordance with the Moldovan SSR Constitution, regulates property relations over the entire territory of the Moldovan SSR. Property relations not stipulated by this law are established by other legislative acts of the Moldovan SSR published in accordance with it and, in instances stipulated by them, by decrees of the Moldovan SSR Government as well.

#### Article 5. Entities Covered by the Right to Property.

An entity covered by the right to property may be any individual, corporate body, state, or organ of local self-government.

#### Article 6. Common Property.

Assets can belong, as common property with determination of shares (several property) or without determination of shares (joint property), to two or several persons simultaneously, independent of the type of property.

#### Article 7. Objects of the Right to Property.

The objects of the right to property can be: land, its wealth, waters, vegetation and animals, buildings, equipment, objects of material and spiritual culture, money, securities, and other assets as well as products of intellectual activity.

#### Article 8. Features of the Implementation of the Right to Property for Products of Intellectual Activity and Monuments of History and Culture.

Implementation of the right to property for products of intellectual activity and monuments of history and culture are defined by legislation of the Moldovan SSR.

#### Article 9. Origin of the Right to Property.

The right to property originates on the basis of the production or acquisition of assets as the result of a transaction, inheritance, restoration of the right to property, and other means that do not contradict legislation of the Moldovan SSR.

Products and income received from the use of assets belong to the owner of the assets so long as nothing else is stipulated by legislative acts or a contract. Products

and income received by a lease holder as a result of leased assets are his property.

**Article 10. A Contract Between Owners and Citizens for the Use of Their Labor.**

An owner has the right, under conditions and within bounds stipulated by legislative acts of the Moldovan SSR, to conclude contracts with citizens for the use of their labor upon implementation of the right to property belonging to him.

Independent of the type and form of property on the basis of which the labor of a citizen is used, he is guaranteed the payment and labor conditions, as well as other socioeconomic guarantees stipulated by existing legislative acts of the Moldovan SSR.

**Article 11. Seizure and the Owner's Responsibility.**

As a result of the obligations of a corporate body, any property belonging to it by virtue of ownership or economic management can be seized.

The owner is not responsible for obligations of corporate bodies he has created, and the latter are not responsible for the obligations of the owner, except in instances stipulated by legislative acts of the Moldovan SSR.

Individuals answer for their obligations using assets belonging to them by virtue of ownership according to procedure established by legislative acts of the Moldovan SSR.

A list of property of individuals which may not be seized as a result of the claims of creditors is established by legislation of the Moldovan SSR.

**Chapter II. Private Property**

**Article 12. The Right to Private Property.**

Private property consists of assets, as well as products of intellectual activity, belonging to a citizen as an individual by virtue of ownership, use, and disposal.

**Article 13. Objects of the Right to Private Property.**

Private property may include plots of land, the plants on them, houses, vehicles, monetary capital, shares and other securities, household objects and objects for personal use, products of intellectual activity, means of production for conducting economic activities, output produced and income received, as well as other consumer and production property.

The procedure, conditions, and deadlines for granting plots of land as property to citizens of the Moldovan SSR is determined by the Moldovan SSR Land Code and other legislative acts of the Moldovan SSR.

A member of a housing, house-building, garage, or other cooperative who has fully contributed his share of the fee

for an apartment, garage, or other structure or lodging given for his use acquires the right of ownership of that property.

The renter of a lodging belonging to a state or public housing fund and members of his family have the right to purchase from the owner the appropriate apartment or house.

The procedure and conditions for acquiring the right to ownership by a member of a housing, house-building, garage, or other cooperative and by the renter of a lodging belonging to the state or public housing fund, as well as the disposal of the right to property is regulated by legislative acts of the Moldovan SSR.

**Article 14. Limitation on Types of Property Which May Be Privately Owned.**

Legislative acts of the Moldova establish types of property which cannot be privately owned or can only be acquired according to procedure established by legislation.

**Article 15. The Origin of Private Property.**

Private property is created and augmented using income received from free enterprise and hired labor, income from capital invested in credit institutions, shares, other securities, and the acquisition of assets through inheritance and other means permitted by law.

The right to pass down by inheritance and the right to inherit private property are guaranteed by law.

**Article 16. Implementation of the Right to Private Property.**

An individual possesses, uses, and disposes of his assets independently for the satisfaction of personal requirements, for the goal of economic activity, including free enterprise (in the form of a private enterprise, a peasant farm, etc.), and for other goals that do not contradict the law.

**Article 17. The Property of a Peasant Farm.**

A peasant farm may have as property plots of land, the plants on them, houses, farm structures, livestock and draft animals, poultry, agricultural equipment and stock, transport vehicles, small enterprises, and other assets needed for the independent conduct of agricultural production, processing, and sale of output.

The assets of a peasant farm belong to the individual owner or to all members of the family as common joint property or in accordance with a contract between them as common several property.

An individual who runs a peasant farm on land transferred to him as a lifetime, heritable possession can transfer the right of possession of a plot of land or grant the latter for temporary use to one of the members of the family running the peasant farm jointly with him or, in the absence of such members, to other people according

to the procedure and under the conditions established by legislative acts of the Moldovan SSR.

**Article 18. The Legal Regime of a Personal Subsidiary Farm.**

The provisions of Article 17 also apply to the personal subsidiary farm.

**Article 19. Property of Spouses.**

Assets acquired by spouses during a marriage belong to them in accordance with the right to joint or separate property if the latter is formed according to procedure established by Moldovan SSR legislation.

The procedure for the origination, implementation, and cessation of the right to joint and separate property of spouses is determined by the Code on Marriage and the Family of the Moldovan SSR.

**Chapter III. Collective Property**

**Article 20. The Right to Collective Property.**

In order to carry out economic or other activities, individuals and corporate bodies combine assets to form common property, having created a collective with the right of a corporate body.

Possession, use, and disposal of property existing as collective property takes place by agreement of the owners or, in the event of disagreement, by a court, arbitration, or a court of referees as a result of action by any of the owners.

An asset, as well as products of intellectual activity, may be collectively owned so long as legislative acts of the Moldovan SSR do not stipulate otherwise.

**Article 21. Forms of Collective Property.**

The property of leased and collective enterprises, cooperatives, joint-stock companies, economic societies, economic associations (combines, concerns, and consortiums), public organizations and movements, and religious organizations are collective property.

**Article 22. The Formation of Collective Property.**

The formation and augmentation of collective property is ensured by transferring state enterprises for leasing, granting collectives of workers the opportunity to use the income they receive in order to purchase state property, restructuring state enterprises into joint-stock companies, and voluntarily combining the assets of citizens and corporate bodies for the creation of cooperatives, joint-stock companies, and other economic societies.

**Article 23. Property of a Leased Enterprise.**

The property of a leased enterprise consists of manufactured output, income received, and other assets acquired using capital of the enterprise.

The founding documents of a leased enterprise define the size of the investments of the members of the collective in order to create those assets in terms of their personal labor participation, as well as monetary and other contributions.

The procedure and conditions for participation of members of the labor collective of a leased enterprise in the administration of its affairs and in the distribution of profits (income) is determined by the lessees in accordance with legislation of the Moldovan SSR.

**Article 24. Property of a Collective Enterprise.**

Property of a collective enterprise arises in the event of the transfer of all the assets of a state enterprise to the property of a labor collective, the purchase of leased assets, or the acquisition of assets by other means stipulated by law.

Assets of a collective enterprise, including output produced and income received, is the common property of its collective.

The stake of each worker is defined in terms of the assets of the collective enterprise. Such a stake includes the total stake of the worker in assets of a state or leased enterprise on the basis of which the collective enterprise is formed, as well as the stake of the workers in the growth of the assets of that enterprise after its creation.

The size of the stake of the worker in the growth of assets is determined based on his participation in the activity of the enterprise.

Interest is added onto the stake of the worker of a collective enterprise and paid out at a rate determined by the labor collective based on the results of the economic activities of the enterprise.

A worker who has ended labor relations with an enterprise and heirs of a deceased worker are reimbursed the value of the stake according to procedure established by the founding documents.

Upon liquidation of a collective enterprise the value of the stake is compensated for workers (or their heirs) from assets remaining after settlements with the budget, banks, and other creditors of the enterprise.

**Article 25. Property of a Cooperative.**

Assets of a cooperative are formed using monetary and other contributions of assets by its members, loans, output produced, income received from the sale of the output, and other activities stipulated by the charter of the cooperative.

Upon liquidation of the cooperative, assets remaining after settlements with the budget, banks, bodies leasing out premises and equipment, and other creditors is distributed among the members of the cooperative.

**Article 26. Property of a Joint-Stock Company.**

A joint-stock company is the owner of assets created through the sale of shares, as well as assets received as the result of its economic activities and acquired by it through other means permitted by legislation of the Moldovan SSR.

Shareholders may be either corporate bodies or individuals.

The procedure of founding joint-stock companies, their legal position, and the means of their activities are defined by legislative acts of the Moldovan SSR.

**Article 27. Property of an Economic Society.**

The property of an economic society, including a society with limited liability, consists of the stakes of participants and assets received as a result of economic activity and acquired by it on other grounds permitted by legislation of the Moldovan SSR.

The stake of a participant of an economic society may consist of fixed and circulating funds, monetary capital, and securities as well as the right to use assets.

The participants of an economic society may be individuals, enterprises, institutes, and organizations.

**Article 28. Property of an Economic Association.**

An association of enterprises and organizations (combines, concerns, consortiums, etc.) possesses the right to ownership of assets voluntarily transferred to it by participating corporate bodies, as well as received as a result of its own activities.

An association does not have the right to own assets of the enterprises and organizations belonging to it.

Assets remaining after cessation of the activities of an association are distributed among the enterprises and organizations that belong to it in accordance with its charter.

**Article 29. Property of Public Organizations and Movements.**

Public organizations and movements, including charitable and other public funds, may have as property buildings, structures, housing funds, equipment, stock, monetary capital, shares, other securities, and other assets necessary for the material support of activities stipulated by their charters (or statutes). The property of public organizations and movements may also include enterprises created in accordance with the goals indicated in their charters (statutes) using capital of those organizations and movements.

Property remaining after the liquidation of a public organization or movement is used for the goals stipulated by its charter (statute).

**Article 30. Property of Religious Organizations.**

Property of religious organizations may include buildings, structures, vehicles, religious objects, production, social, and charitable objects, monetary capital, and other assets necessary to support their activities; monasteries may own plots of land as well.

Religious organizations have the right to own assets acquired and created by them using their own capital, donated by citizens and public organizations, received from the state, and acquired by other means not contradicting the law.

The question of the use of assets belonging to a religious organization after the cessation of its activities is decided by the organizations of administration of that organization or by a superior religious organization with the participation of the local organs of state power.

Property belonging to religious organizations after the cessation of their activities is transferred to the religious organization that formed them.

After the cessation of the activities of a religious organization, property given for its use by a state or public organization or citizens is to be returned to its former owner.

To satisfy the obligations of religious organizations, the monetary capital and other property belonging to them may be seized. Religious assets belonging to religious organizations may not be seized to satisfy the claims of creditors.

**Chapter IV. State Property**

**Article 31. The Right to State Property.**

State property of the Moldovan SSR consists of property belonging to the Moldovan SSR as a state by virtue of possession, use, and disposal. It appears in state and municipal forms.

**Article 32. Objects of the Right to State and Municipal Property.**

State Property of the Moldovan SSR consists of land, its wealth, water, forests, other natural resources, the assets of organs of state power and administration, cultural and historical valuables, capital of the republic budget, state banks, insurance, reserve, and other funds, assets of state enterprises and national economic complexes, educational institutions, objects of the social and cultural sphere, and other assets belonging to the republic situated both on the territory of the Moldovan SSR and beyond its borders.

The Moldovan SSR has supreme jurisdiction over the airspace over its territory.

Municipal property consists of assets of organs of power and administration of an administrative-territorial formation, the capital of a local budget, and the housing fund and housing services of an organ of local self-government, as well as enterprises of agriculture, trade,

consumer services, and transportation; industrial, construction, and other enterprises and complexes; institutions of public education, culture, public health; and other objects.

**Article 33. Implementation of the Right to State Property.**

The exclusive right to determine the procedure for possessing, using, and disposing of state property via its supreme legislative organ belongs to the Moldovan SSR. Individuals and corporate bodies of other states and their communities may make use of objects of state property of the Moldovan SSR only with the consent of the appropriate organs of its state power in accordance with procedure established by legislation of the Moldovan SSR.

The possession, use, and disposal of state property of the Moldovan SSR is carried out by the state via enterprises, institutions, and other state organizations.

**Article 34. Assets and Powers of State Enterprises and Institutions.**

Assets which are state property and are assigned to state enterprises and institutions, as well as assets acquired by them as the result of entrepreneurial activity belongs to them by virtue of economic management.

The right of economic management presupposes possession, use, and disposal of assets and income in accordance with procedure determined by the owner or by organs authorized by him in accordance with legislation of the Moldovan SSR.

**Article 35. Powers of State Organs.**

State organs authorized to administer state assets resolve questions of the creation of an enterprise or the institution and determination of the goals of its activities and its reorganization and liquidation, they monitor the effectiveness of the use of maintenance of state assets entrusted to it, and they perform other powers in accordance with legislation of the Moldovan SSR.

Organs of state power and administration are not responsible for the obligations of subordinate enterprises and institutions, and the latter are not responsible for the obligations of the Moldovan SSR and organs of local self-government.

**Article 36. The Origin and Implementation of the Right to Municipal Property.**

The right to municipal property originates as a result of the transfer to organs of local self-government of state assets in accordance with procedure stipulated by legislative acts of the Moldovan SSR for acquiring property using the finances of the aforementioned organs, as well as the production of output of enterprises and organizations under their jurisdiction.

The procedure for possessing, using, and disposing of assets that are municipally owned is established by the

appropriate organs of local self-government on the basis of laws on local self-government and other laws of the Moldovan SSR.

**Chapter V. The Property of Other States, of Their Citizens and Corporate Bodies, and of International Organizations and People Without Citizenship**

**Article 37. Property of Other States.**

Other states are permitted to own property (other than land) in the Moldovan SSR and such property is regulated by legislative acts of the Moldovan SSR and interstate agreements.

**Article 38. Property of Citizens and Corporate Bodies of Other States and of International Organizations and People Without Citizenship.**

Citizens and corporate bodies of other states, international organizations, and people without citizenship are permitted to own property (other than land) in the Moldovan SSR. The possession, use, and disposal of those assets are performed in accordance with legislative acts of the Moldovan SSR and interstate agreements.

**Article 39. Property of Joint Ventures.**

In the Moldovan SSR it is permitted to create joint ventures whose common owners are the Moldovan SSR or a citizen or corporate body of it, and another state or its citizen or corporate body, as well as an international organization or a person without citizenship.

The assets indicated in the first part of this article are several property of its common owners if the founding documents of the enterprise do not stipulate something different. The common owners enjoy all the rights ensuing from legislative acts of the Moldovan SSR.

**Chapter VI. Guarantees and Protections of the Right to Property**

**Article 40. Guarantees of Equal Conditions for the Development and Stability of Property Relations.**

Legislation of the Moldovan SSR ensures citizens, organizations, and other owners equal conditions for the development of various types and forms of property and their protection.

The Moldovan SSR guarantees the stability of property relations established in accordance with this law.

No one has the right to forcibly appropriate assets from an owner except under circumstances stipulated by laws of the Moldovan SSR or to demand that an owner combine his assets with someone else's.

**Article 41. Protection of the Right to Property.**

An owner has the right to obtain his assets on demand from any illegal possession in accordance with legislation of the Moldovan SSR.

The Moldovan SSR protects the right of all entities that are covered by the right to property to their assets existing on the territory of other states.

An owner may demand the elimination of all violations of his right, even if these violations are not connected with deprivation of possession.

The rights stipulated by the first, second, and third parts of this article also apply to a person who, although not an owner, possesses assets by virtue of economic management, lifetime heritable possession, or some other grounds stipulated by law or agreement. This person has the right to protection of his possessions in the same fashion as its owner.

Protection of the right to property is performed by a court, arbitration, or a court of referees.

**Article 42. Protection of the Interests of an Owner Upon Suspension of His Rights in Connection With the Appropriation of a Plot of Land.**

Suspension of the right to property in connection with a decision to appropriate the plot of land upon which stands the owner's house or other structures, erections, or plants or with other decisions of a state organ not targeted directly toward the appropriation of the assets of an owner is permitted only under circumstances and in accordance with procedure established by legislative acts of the Moldovan SSR and with compensation for the owner of all losses caused by the suspension of the right to property.

If the owner does not agree, the decision entailing suspension of his right to property cannot be implemented until the dispute is decided by a court, arbitration, or a court of referees. Upon examination of the dispute, questions of the compensation for the owner of losses are also resolved.

**Article 43. Appropriation by the State of an Owner's Assets Under Circumstances Stipulated by Law.**

Appropriation by the state of an owner's assets is permitted only when seizing those assets to repay obligations of the owner under circumstances and in accordance with procedure stipulated by legislative acts of the Moldovan SSR, as well as in accordance with procedure for requisition and confiscation.

Under circumstances of natural disasters, catastrophes, epidemics, contagions, and other extraordinary events, by decision of organs of state power assets may be appropriated from an owner in the interests of society in accordance with procedure and under conditions established by legislative acts of the Moldovan SSR with payment to him of the cost of the assets (requisition).

Under circumstances stipulated by legislative acts of the Moldovan SSR, assets can be appropriated from an owner by decision of a court, arbitration, or other

competent state organ (or official) in the form of sanctions for the commission of a crime or other offense (confiscation).

**Article 44. Legal Regulation of Compensation of Losses Upon Suspension of the Right to Property.**

In the event of the adoption of legislative acts of the Moldovan SSR suspending the right to property, losses caused to an owner as a result of the adoption of these acts are compensated for the owner in full measure in accordance with the decision of a court by the organs of state administration.

If, as the result of the publication of an act which is not in accordance with the law by an organs of state power or local self-government, the rights to property of the owner and other people to possess, use, and dispose of assets belonging to them are violated, such an act will be recognized invalid upon legal action by the owner or people whose rights were violated.

Losses caused to citizens, organizations, and other people as a result of the publication of the aforementioned acts are subject to compensation in full measure using capital existing at the disposal of the appropriate organ of power or administration. Upon an absence of capital in organs of state administration, compensation for the losses is performed from the republic budget.

*[Signed] M. Snegur, president of the Moldovan SSR, Kishinev, 22 January 1991*

**Decree on Law's Implementation**

914A0612B Kishinev SOVETSKAYA MOLDOVA  
in Russian 27 Mar 91 p 3

["Decree of the Moldovan SSR Supreme Soviet on the Procedure for Implementing the Moldovan SSR Law: 'On Property'"]

[Text] The Moldovan SSR Supreme Soviet decrees:

1. To implement the Moldovan SSR Law: "On Property" beginning 1 February 1991 with the exception of Articles 37 and 38, which will go into force after the adoption of Moldovan SSR laws on citizenship and privatization.

2. Until legislation of the Moldovan SSR is brought into correspondence with the Moldovan SSR Law: "On Property," to apply that part of existing legislative acts of the Moldovan SSR that does not contradict this law. In the process, decisions of the government of the Moldovan SSR published before the implementation of the aforementioned law on questions which can, according to the law, be regulated by legislative acts will function prior to the adoption of the appropriate legislative acts.

3. To establish that:

- The Moldovan SSR Law: "On Property" is applied to juridical relations which arise after its implementation, that is after 1 February 1991;

- as for juridical relations which arise prior to 1 February 1991, the Moldovan SSR Law: "On Property" is applied only in relation to those rights and obligations which have arisen after the implementation of the aforementioned law;
- reestablishment of the right to property for plots of land proceeding from the first part of Article 9 of the aforementioned law extends only to juridical relations which arise after its implementation;
- realization by an owner of the right to dispose of a plot of land belonging to him by means of purchase or sale, gift, or barter is carried out beginning 1 January 2001.

4. Cases relegated by the Moldovan SSR Law "On Property" to the jurisdiction of the court and arbitration and still pending in administrative and other organs by 1 February 1991 will be subject to examination by courts and organs of arbitration in accordance with the jurisdiction established by the aforementioned law.

5. The right, stipulated by Article 44 of the law, of compensation of losses caused by the owner by the adoption of a legislative act suspending the right to property functions only in relation to acts adopted after implementation of the law.

6. To charge the government of the Moldovan SSR:

—with introducing for the examination of the Moldovan SSR Supreme Soviet drafts:

of a legislative act determining types of property which, as a result of considerations of state and public security or on other grounds, cannot become the property of citizens—by 1 March 1991;

of legislative acts bringing legislation of the Moldovan SSR into correspondence with the Moldovan SSR Law: "On Property"—by 1 March 1991;

of legislative acts on the private enterprise, joint-stock company, and economic society—by 1 September 1991;

—with bringing rulings of the Moldovan SSR Government into correspondence with the Moldovan SSR Law: "On Property"—by 1 March 1991;

—with ensuring the examination and cancellation by ministries, departments, state inspectorates, and organs of local self-government of the Moldovan SSR of their normative acts, including instructions, contradicting the aforementioned law—by 1 March 1991.

*[Signed] A. Moshany, chairman of the Moldovan SSR Supreme Soviet, Kishinev, 23 January 1991*

### **Moldovan Ukase on Formation of State Property Fund**

*914A0621A Kishinev SOVETSKAYA MOLDOVA  
in Russian 13 Mar 91 p 1*

*["Ukase of the President of the Soviet Socialist Republic of Moldova: 'On the Formation of a State Property Fund for the Moldovan SSR'"]*

[Text] In connection with the need to accelerate the formation of market relations in the Moldovan SSR by means of denationalization, privatization, and demonopolization of the economy, formation of a securities market, and development of free entrepreneurial activity, first and foremost small businesses, there is an urgent requirement to review the functions of state management organs with respect to the disposition of property owned by the state in the republic.

At the same time, instances of pilfering and waste of state property have been widespread recently in the Moldovan SSR by means of leasing under unjustifiably favorable terms with subsequent purchase of leased property, and through the cooperatives functioning at enterprises and organizations under the screen of various kinds of "experiments" and "exceptions" providing for the gratis transfer of state property to various nonstate economic structures. Spontaneous manifestations of denationalization and privatization of Union property located on the territory of the republic are becoming increasingly obvious, and this is doing great material harm and infringing on Moldova's economic and political sovereignty. A trend can be discerned toward the organization of monopoly formations in the form of associations, concerns, and companies.

Proceeding from this, and in accordance with the law of the Moldovan SSR: "On Property," the ukase of the president of the Moldovan SSR, dated 19 January 1991: "On Urgent Measures To Protect Republic Property" and the concept of privatization of state property as set forth in the program for the transfer of the Moldovan SSR to a market economy as approved by the Moldovan SSR Supreme Soviet on 21 November 1990, I decree as follows:

#### **1. To form a Moldovan SSR State Property Fund.**

To establish that one of the priority tasks for the fund is to devise and implement a state program to privatize state property and demonopolize production in the republic.

#### **2. To assign the Moldovan SSR State Property Fund the following tasks:**

—to protect the property rights and interests of the republic;

—to monitor the effectiveness of the use, transfer, and preservation of state property;



- to organize work to make an inventory of and determine the estimated worth of state property;
- to take practical steps to denationalize republic property;
- together with the USSR State Property Fund to resolve questions pertaining to the denationalization and privatization of Union property located on the territory of the Moldovan SSR;
- to exercise the functions of holder of the state's shares and start-up capital in joint-stock and economic companies.
- to give the fund permission, if necessary, to temporarily delegate the right of management of property belonging to the Moldovan SSR and other state management organs to investment and holding funds; and to set up territorial organs for the fund; and to carry out other functions stemming from the main activity of the fund.

3. To assign the following tasks to the Moldovan SSR Government:

- within a two-week period to devise and submit for approval a draft provision on the Moldovan SSR State Property Fund, together with proposals on the chief officers of the fund and its structure, staffing, and funding;
- to insure no later than the second quarter of 1991 that a state program is drawn up and initiated in the republic to privatize state property and demonopolize production.

4. To oblige ministries, state departments, executive committees of local soviets of people's deputies in the Moldovan SSR, and state enterprises and organizations to resolve questions related to denationalization and privatization of the property of state enterprises and organizations or their structural subdivisions only in agreement with the Moldovan SSR State Property Fund.

*[Signed] M. Snegur, president of the Soviet Socialist Republic of Moldova, Kishinev City, 11 March 1991*

## **Uzbek Law on Banks, Banking Activities**

### **Text of Law**

914A0617A Tashkent PRAVDA VOSTOKA in Russian  
5 Mar 91 pp 2-3

[Uzbek SSR Law on Banks and Banking Activities]

[Text]

### **Section I. General Provisions**

#### **Article 1. The Concept of a Bank**

A bank is an institution established for the purpose of attracting moneys and investing them in its name on

terms of repayability and regular payment within a specified time. A bank is a juridical person.

#### **Article 2. Bank operations**

1. Banks receive and invest monetary deposits, attract and grant credit, carry out the settlement of accounts at the instruction of clients and corresponding banks, and provide them with cashier services.

Banks may also carry out other operations that are not contrary to law and are stipulated in their charters, including all or some of the following:

- a) maintaining the accounts of clients and corresponding banks;
- b) financing capital investments at the instruction of the owner or managers of investment moneys;
- c) issuing financial instruments and other securities (checks, letters of credit, promissory notes, stocks, bonds and others);
- d) purchasing, selling and keeping state financial instruments and other securities, and carrying out other operations with them;
- e) issuing guarantees, warranties and other obligations for third persons that provide for their fulfillment in monetary form;
- f) acquiring the right of claim stemming from the delivery of goods and performance of services, accepting the risk that such claims will be met, and collecting those claims (factoring);
- g) acquiring and transferring equipment, means of transportation and other property on terms of lease (leasing);
- h) purchasing foreign currency from organizations and citizens and selling it to them;
- i) purchasing and selling in the USSR and abroad precious metals, natural precious stones, and items made from precious metals and precious stones;
- j) attracting and placing precious metals on account and in deposit, and carrying out other operations with those valuables in accordance with international banking practice;

k) carrying out fiduciary operations: attracting and investing moneys, managing securities, and performing other operations at the instruction of clients;

l) providing advisory services associated with banking activities.

2. Banks are required to perform operations related to the fulfillment, in cash terms, of the union budget and the republic budget at the instruction of the USSR State Bank and the Uzbek SSR State Bank.

3. Banks may perform other operations with authorization by the Uzbek SSR State Bank give by it within the

limits of its jurisdiction. The operations stipulated in this article may be carried out in both rubles and foreign currency.

4. Banking operations performed by persons and agencies not authorized to perform them are deemed invalid.

5. Banks are forbidden to engage in activities in the sphere of material production and trade in physical items of value, as well as in all forms of insurance.

### Article 3. Company name

The term "bank" or other word combination including this term may be used in the company name or for purposes of advertisement only by institutions authorized to engage in banking operations in accordance with this law.

### Article 4. Delimitation of the liability of the republic and banks

Banks in the Uzbek SSR are not liable for obligations of the Uzbek Soviet Socialist Republic. The Uzbek SSR is not liable for the obligations of banks, except for cases stipulated by this law and other legislative acts of the Uzbek SSR, and other cases in which the Uzbek SSR accepts such liability.

## Section II. The Uzbek SSR Banking System

### Article 5. The elements of the banking system

1. The Uzbek SSR banking system comprises:

- a) the Uzbek SSR State Bank and its subordinate institutions;
- b) the republic Joint-Stock Commercial Industrial Construction Bank (Uzpromstroybank);
- c) the republic Joint-Stock Commercial Agroindustrial Bank (Uzagroprombank);
- d) the Uzbek SSR State Commercial Bank for Foreign Economic Activities (Uzvneshekonombank);
- e) the Uzbek SSR State Commercial Bank for Labor Savings and Loans to the Public (Uzsberbank);
- f) commercial banks established on a shareholder basis.

The Uzbek SSR State Bank, Uzpromstroybank, Uzagroprombank, Uzvneshekonombank and Uzsberbank form their relations with union banks on a contractual basis.

Commercial banks established on a shareholder basis form their relations with the Uzbek SSR State Bank and other banks on a contractual basis.

2. The functions of every bank are determined by its charter, which is drawn up by the bank and registered by the Uzbek SSR State Bank.

3. The activities of commercial banks are regulated by means of economic norms set for them by the republic State Bank, and by monitoring of the fulfillment of those

norms. Uzbek SSR banks are granted the right, with the permission of the Uzbek SSR State Bank, to establish lending institutions and bank branches in other republics and abroad. The Uzbek SSR State Bank is granted the right to open branches of foreign banks within Uzbekistan.

4. Banks may establish unions, associations and other organizations to coordinate their activities.

### Article 6. The legal basis of banks' activities

Uzbek SSR banks are guided in their activities by the USSR Law on the USSR State Bank and Law on Banks and Banking Activities, this law other Uzbek SSR legislative acts, and their charters.

Banks have no right to carry out instructions and demands that do not accord with laws of the Uzbek SSR and their charters.

## Section III. The Uzbek SSR State Bank

### Article 7. The bank's status

The Uzbek SSR State is the republic's central bank and is established on the basis of this law.

The Uzbek SSR State Bank is a juridical person and has its own charter, which is approved by the Uzbek SSR Supreme Soviet.

The Uzbek SSR State Bank cooperates with the USSR State Bank on matters belonging to the latter's jurisdiction, and with the national banks of other republics on the basis of contracts that have been concluded.

### Article 8. Basic tasks of the Uzbek SSR State Bank

The tasks of the Uzbek SSR State Bank are:

- the implementation of the republic's economic policy in the areas of the circulation of money, lending, financing, the settlement of accounts, and foreign economic relations;
- the establishment, in agreement with the USSR State Bank, of uniform regulations and norms for record keeping, reporting, and clearing and loan operations;
- the establishment of norms for the regulation of loan and deposit operations and the management of aggregate money circulation;
- monitoring of the observance by all banks and lending institutions of Uzbek SSR laws and regulations for the performance of monetary and lending operations;
- the issuing of licenses for engaging in banking business.

In order to accomplish the tasks assigned to it, the Uzbek SSR State Bank has the right to establish appropriate services and institutions.

**Article 9. The accountability and management of the Uzbek SSR State Bank**

The Uzbek SSR State Bank is accountable to the Uzbek SSR Supreme Soviet and independent of the executive and administrative bodies of state authority.

The management of the Uzbek SSR State Bank is carried out by a board that may include, in addition to responsible officials of the Uzbek SSR State Bank, the executives of major republic commercial banks. The chairman of the board of the Uzbek SSR State Bank is appointed by the Uzbek SSR Supreme Soviet.

The activities of the Uzbek SSR State Bank may be audited by the appropriate committee of the Uzbek SSR Supreme Soviet or, at its instruction, an auditing organization.

**Article 10. Bank funds**

The Uzbek SSR State Bank creates an initial capital fund the amount of which is approved by the Uzbek SSR Supreme Soviet and which serves as a guarantee of its obligations. Changes in the size of the initial capital fund are regulated by the Uzbek SSR Supreme Soviet.

Other funds for various purposes are created out of the profits of the Uzbek SSR State Bank; the bank manages, uses and disposes of them in accordance with current legislation and its charter.

The Uzbek SSR State Bank presents an annual report and its proposals for the distribution of profits for the consideration of the Uzbek SSR Supreme Soviet.

**Article 11. The distribution of profits of the Uzbek SSR State Bank**

1. The Uzbek SSR State Bank and its institutions are relieved of the payment of taxes, levies and duties on profits formed as the result of its performance of the functions of a reserve system.

2. The profits of the Uzbek SSR State Bank are distributed in accordance with the USSR Law on the USSR State Bank and legislation of the Uzbek SSR.

**Article 12. Normative acts of the Uzbek SSR State Bank**

In order that a uniform monetary, clearing, lending, investment, and money-emission policy be followed in the country, the Uzbek SSR State Bank delegates to the USSR State Bank the authority to promulgate normative acts binding on all banks concerning matters of banking activity.

On the basis of the interests of the Uzbek SSR, the Uzbek SSR State Bank may make changes in and additions to the normative instructions of the USSR State Bank.

**Article 13. Credit resources of the Uzbek SSR State Bank**

The credit resources of the Uzbek SSR State Bank are the following:

- moneys in the initial-capital reserve fund and other funds formed in the Uzbek SSR State Bank;
- monetary deposits of the Uzbek SSR Savings Bank;
- the deposits of commercial banks in the Uzbek SSR State Bank over and above their mandatory deductions;
- the deposits of the Uzbek SSR government;
- the deposits of the banks and governments of other countries;
- other moneys stipulated by the charter of the Uzbek SSR State Bank.

**Article 14. Organization of the circulation of money**

The official monetary unit of the Uzbek SSR is the ruble. One ruble consists of 100 kopeks. The ruble is the sole legal tender within the Uzbek SSR.

Payments in foreign currency within the Uzbek SSR may be made according to procedures established by the USSR State Bank.

The Uzbek SSR State Bank has the exclusive authority to put cash into circulation and withdraw it from circulation.

The Uzbek SSR State Bank puts bank notes into circulation, organizes the depositing, shipment and storage of them, and creates bank-note reserve funds in its institutions.

The republic deposit administration and its subdivisions are under the administration of the Uzbek SSR State Bank.

**Article 15. Monetary and Credit regulation**

The Uzbek SSR State Bank is the agency responsible for monetary and credit regulation of the republic's economy and of the size and structure of the money supply.

The Uzbek SSR State Bank regulates the size and structure of the money supply on the basis of the basic guidelines of state monetary and credit policy approved by the USSR Supreme Soviet. The draft basic guidelines are developed by the USSR State Bank in conjunction with the Cabinet of Ministers of the Uzbek SSR president and the Uzbek SSR State Bank.

Regulation of the money supply is carried out through changes in the amount of credit provided to commercial banks, through the purchase and sale of securities and foreign currency, changes in the norms for mandatory reserves deposited by commercial banks in the Uzbek SSR State Bank, and changes in interest rates.

The Uzbek SSR State Bank is the lender of last resort for commercial banks.

**Article 16. Operations of the Uzbek SSR State Bank**

The Uzbek SSR State Bank has the right:

- a) to provide credit to commercial banks for a period of time agreed upon with the borrower;
- b) to buy, sell and execute other deals with promissory notes and checks bearing the signatures of the three required persons of known solvency, with a payment period of three months from the date of purchase;
- c) to buy, keep and sell securities;
- d) to grant loans for a period not exceeding three months secured by promissory notes and securities in amounts not exceeding 90 percent of their nominal value;
- e) to carry out other operations and deals in accordance with the tasks of the Uzbek SSR State Bank as stipulated by this law and the bank charter.

The Uzbek SSR State Bank may grant credit to the Uzbek SSR Ministry of Finance on general terms within the limits of the amount approved by the Uzbek SSR Supreme Soviet. Within the limits of that amount, the Uzbek SSR State Bank may buy state securities from the Uzbek SSR Ministry of Finance for their subsequent placement.

The Uzbek SSR State Bank carries out the cash fulfillment of the union budget and the Uzbek SSR budget through its own institutions and commercial banks within the republic in accordance with normative acts of the USSR State Bank and the Uzbek SSR, and it carries out the servicing of the state debt of the Uzbek SSR, including the performance of operations involving the placement of state loans and the repayment of them and payment of interest on them.

The Uzbek SSR State Bank represents the republic's interests in relations with the USSR State Bank and the banks of other countries, and in international banks and other financial and lending organizations where cooperation is provided for on the level of central banks.

**Article 17. Operations with foreign currency and foreign-economic activities**

The Uzbek SSR State Bank may perform any operations in foreign currency in the USSR and abroad that are in keeping with the laws of the USSR and Uzbek SSR and are used in international practice, or may delegate this authority to the Uzbek SSR Foreign Economic Bank.

The Uzbek SSR Foreign Economic Bank performs the following functions:

- issues loans in foreign currency for the establishment and development of export-oriented production facilities, keeps account of the state loans and other loans provided and obtained by the Uzbek SSR, and handles the settlement of them;

—to provide currency control and general control for monitoring currency legislation; —in order to manage the convertibility of the ruble, considers and authorizes the conduct of operations in currency exchanges and auctions, and is the main controller of currency.

The Uzbek SSR Foreign Economic Bank provides assistance in the recovery of funds that have not been fully received through the fault of foreign banks, companies and other partners in their fulfillment of contracts.

The Uzbek SSR State Bank may acquire stocks, bonds and other securities in foreign currency, and may create foreign-currency funds out of profits in foreign currency.

The Uzbek SSR State Bank issues licenses to commercial banks for the performance of operations in foreign currency in the USSR and abroad in accordance with regulations established by the USSR State Bank. The Uzbek SSR State Bank may introduce restrictions for banks on amounts of loans attracted from abroad and on levels of interest rates on them, in accordance with Uzbek SSR monetary and credit policy.

**Article 18. Licensing functions**

1. The procedures for establishing commercial banks, requirements as to the content of documents presented for their establishment, and the procedures for granting authorizations are established by the Uzbek SSR State Bank.

2. The Uzbek SSR State Bank maintains a common republic book of bank registrations in the Uzbek SSR. Newly established commercial banks receive the status of juridical persons from the moment of their registration in the common republic book of bank registrations.

3. In order to obtain authorization for the establishment of a commercial bank to be obtained, the following documents must be presented:

- a petition for the issuing of a licence;
- founding documents: a founding contract, a bank charter, an official record of the adoption of the charter and appointment of the bank's governing bodies;
- and economic feasibility study with the necessary calculations;
- the conclusion of an auditing organization concerning the founders' financial status;
- evidence of professional fitness of the bank officers (manager and chief bookkeeper) proposed by the founders;
- the findings of the State Bank institution at the location of the commercial bank, which are to contain substantiation of the advisability of establishing a commercial bank for the territory in question, and notification of the local soviet's agreement to its establishment.

In the case of a change in its management personnel, the bank presents documents to the Uzbek SSR State Bank supporting the professional qualities of the newly appointed officials.

4. In order to obtain authorization for the establishment of a joint commercial bank with foreign countries, in addition to the documents indicated in Point 3 of this article, the following documents must be provided:

a) by foreign juridical persons:

- the decision of the appropriate agency of the foreign founder (or shareholder) to participate in the establishment of a bank within the Uzbek SSR, or in the opening of a branch bank;
- written consent of the oversight agency of the foreign founder's (or shareholder's) country of residence to its participation in the establishment of a bank within the Uzbek SSR or the opening of a branch bank in cases in which this is required by the laws of the country in question;

b) by foreign citizens:

- confirmation by a first-class foreign bank of the solvency of the person in question;
- recommendations by no less than two foreign juridical persons or citizens of known solvency.

In order to provide equal competitive conditions for all banks, the Uzbek SSR State Bank may impose additional requirements on the founders of foreign banks and banks involving foreign capital with regard to the minimum and maximum amounts of their initial capitalization.

5. Petitions for the issuing of a license are examined within a period not exceeding one month from the time that all the necessary documents stipulated by this law are received. A petition is considered to have been considered on the day that the decision of the Uzbek SSR State Bank on it has been sent.

6. Grounds for the refusal to issue a license are the failure of the founding contract and charter to conform to current legislation in the Uzbek SSR, unsatisfactory financial status of the founders that threatens the interests of bank clients and depositors, and the lack of professional fitness of the nominated bank executives.

7. Commercial banks may open branches and offices within the Uzbek SSR, which are to be registered in the Uzbek SSR State Bank. In order to register a branch or office, a commercial bank notifies the Uzbek SSR State Bank of its registration number. Only once they have been registered may branches of commercial banks may perform banking operations.

Branches and offices of commercial banks within the Uzbek SSR pay taxes on profits to the republic budget in accordance with the Uzbek SSR Law on Taxes on Enterprises, Associations and Organizations and based on the share of the commercial bank's profits earned within the republic.

8. The Uzbek SSR State Bank may revoke a license for conducting banking operations in cases of:

- a) the discovery of the inaccuracy of the evidence on the grounds of which the license has been issued;
- b) a delay in beginning operations of more than one year from the time the license has been obtained;
- c) the bank's performance of operations not specified in the Uzbek SSR State Bank's license;
- d) the bank's presentation of inaccurate information in reports called for in Article 19 of this article;
- e) on grounds stipulated in Article 19 of this article.

The revocation of a license is tantamount to a decision to close a bank.

The revocation of a license is an extreme measure that, as a rule, should be preceded by warning measures aimed at eliminating the violations indicated in this law.

9. Foreign banks and their branches may engage in banking operations from the moment of their registration in the registration book. The offices of foreign banks are also subject to registration in that book.

The procedures for opening and terminating the activities of banks whose initial capitalization is formed from the moneys of foreign juridical persons and citizens are regulated by current legislation of the Uzbek SSR.

The Uzbek SSR State Bank carries out the accreditation of the offices of foreign banks in the Uzbek SSR.

10. When the activities of a bank are terminated or the branch or office of a foreign bank or other lending institution is closed, entry in the registration book is voided.

11. The Uzbek SSR State Bank issues the authorization for a commercial bank to perform operations in foreign currency in the Uzbek SSR and abroad on the basis of a petition by the bank and in accordance with economic advisability and the bank's readiness to engage in such operations.

12. Within a month after changes have been made in their founding documents, commercial banks are required to present notarized copies of the amended documents.

13. Commercial banks or their founders may appeal to the court or state arbitration service decisions of the Uzbek SSR State Bank with regard to the issuing or revocation of licenses, and also with regard to other issues related to the oversight functions of the Uzbek SSR State Bank.

#### **Article 19. Regulation by the Uzbek SSR State Bank of the activities of commercial banks**

1. Through its activities, the Uzbek SSR State Bank fosters the creation of conditions for the operation of

commercial banks and the introduction of the principles of honest banking competition.

The Uzbek SSR State Bank does not interfere in the ongoing activities of commercial banks.

2. In order to ensure the financial soundness of commercial banks and protect the interests of their creditors and depositors, the Uzbek SSR State Bank establishes the following economic norms for commercial banks:

- the minimum amount of the initial capitalization, which must be paid by the founders by the time that a bank begins operations;
- the maximum ratio of a bank's own funds to the sum of its assets;
- the amount of the mandatory reserves deposited in the Uzbek SSR State Bank;
- the maximum amount of risk per single borrower;
- indices of balance liquidity.

3. In the event of a commercial bank's violation of the economic norms, the Uzbek SSR State Bank specifies the time period and conditions for the elimination of violations.

In the event of the systematic violation of the norms, the failure to carry out the orders of the Uzbek SSR State Bank regarding the time period and conditions for bringing banking operations into conformity with the norms, operation at a loss, or the emergence of a situation that threatens the interests of a bank's creditors, the Uzbek SSR State Bank may raise, before a commercial bank's founders (or shareholders), or before the appropriate agency if the bank is a state commercial bank, the question:

- of carrying out measures to restore the bank's financial health;
- or reorganizing the bank;
- of closing the bank.

4. The Uzbek SSR State Bank may, as an economic sanction against banks that violate the norms established in this article:

- impose a monetary fine in the amount of the additional income obtained as a result of wrongful bank actions;
- raise the norms for mandatory reserves;
- appoint a temporary management of a bank for the period required to restore its financial health;
- revoke a bank's license to engage in banking operations.

5. The Uzbek SSR State Bank establishes for commercial banks and their branches the nature and amount of reporting and other materials necessary for its performance of analytical and oversight functions. Commercial banks and branches present these materials within time periods specified by the Uzbek SSR State Bank.

6. Oversight of the activities of commercial banks and commercial bank branches located within the Uzbek

SSR is carried out by the Uzbek SSR State Bank in accordance with this law and the charter of the Uzbek SSR State Bank.

In performing its oversight functions, the Uzbek SSR State Bank has the authority to order a complete or spot audit of commercial banks' operations. The auditing of banks' activities is carried out by the Uzbek SSR State Bank's auditing service or, at its instruction, an auditing organization.

#### Section IV. Commercial Banks

##### Article 20. The functions of a commercial bank

Commercial (cooperative, joint-stock, or shareholders') banks perform, on a contractual basis, lending, clearing and other bank services for juridical and private persons through the performance of operations and provision of services specified in this law.

Commercial banks differ according to the ownership of their initial capital and the means by which it has been formed, the types of operations they perform, the territory of their activities, and the economic branch with which they are associated.

In order to finance republic, regional and other programs, special commercial banks may be established according to procedures and on terms stipulated by legislative acts of the Uzbek SSR.

##### Article 21. Procedures for the establishment of commercial banks

The registration of commercial banks is carried out by the Uzbek SSR State Bank.

Registration is done for a fee.

The act of the registration of a charter is authorization for a bank to commence activities.

##### Article 22. Commercial banks' charters

1. Commercial banks operate in accordance with their charters. The charter of a state commercial bank is approved by the agency that has taken the decision to establish the bank. The charter of a commercial bank organized on a shareholding basis is approved by a meeting of founders (or shareholders).

2. A bank charter must contain:

- the name of the bank and its location (mailing address);
- a list of the operations performed by the bank;
- a list of the funds formed by the bank, and the amount of its initial capital;
- a stipulation that the bank is a juridical person and acts on the basis of full cost-accounting and self-financing;
- a stipulation concerning the bank's management bodies, their structure, and the procedures by which they are formed;

- a list of subordinate institutions and their status;
- procedures for the formation of the bank and its branches and for the termination of their activities;
- a requirement (procedures) for the publication of information concerning the bank's activities.

3. In addition to the requirements contained in this article, the charter of a bank organized on a shareholding basis should meet the requirements contained in current legislation on joint-stock companies with limited liability.

4. A charter may include other provisions related to the specific features of a bank's activities. Changes in the charter are made in accordance with changes in Uzbek SSR legislation.

#### **Article 23. The formation of the initial capital of commercial banks**

The initial capital of commercial banks is formed from the contributions of shareholders and the issuing and sale of stocks.

#### **Article 24. The founders and stockholders (or shareholders) of commercial banks**

The founders and stockholders (or shareholders) of commercial banks may be juridical persons and citizens, with the exception of soviets of all levels and their executive bodies, political organizations, and specialized public foundations.

The share of involvement of any founder, stockholder (or shareholder) must not exceed 35 percent of the initial capital.

#### **Article 25. Foreign bank founders**

When foreign banks and banks with the involvement of foreign capital are established, one of the foreign founders must be a bank.

#### **Article 26. Banks' independence**

Commercial banks in the Uzbek SSR are independent of bodies of state authority and administration in making decisions related to the conduct of banking operations.

Employees of bodies of state authority and administration are forbidden to take part (through combining occupations) in bank management bodies.

#### **Article 27. The taxation of commercial banks**

Commercial banks pay taxes in accordance with Uzbek SSR legislation on taxation.

#### **Article 28. Property liability of commercial banks**

All the property belonging to commercial banks is exposed to liability for their obligations with them. They are not liable for the obligations of their founders and shareholders. Founders and shareholders are liable for the bank's obligations within the limits of their shares, if their charters do not stipulate otherwise.

### **Section V. A Bank's Financial Soundness and the Protection of Its Clients' Interests**

#### **Article 29. The observance of economic norms established for commercial banks**

In order to ensure a bank's financial soundness and the protection of its clients' interests, commercial banks must observe the norms enumerated in Article 19 of this law.

#### **Article 30. A bank's own funds**

A bank's own funds are:

- its initial capital;
- reserves and other funds formed from profits and contained in the bank's balance;
- undistributed profits and moneys obtained by distributing stocks among stockholders or shareholders, or by increasing the amount of a share.

#### **Article 31. A bank's stocks**

A bank's assets are:

- loans granted to juridical and private persons;
- investments in securities;
- investments in real estate;
- other assets.

#### **Article 32. Reserves to cover possible losses**

Commercial banks create, out of profits they earn, insurance and reserve funds for covering potential losses in accordance with procedures defined by the Uzbek SSR State Bank.

#### **Article 33. Banking secrecy**

1. Banks in the Uzbek SSR guarantee secrecy with respect to the operations, accounts and deposits of their clients and correspondents. All bank employees are required to maintain secrecy with regard to the operations, accounts and deposits of the bank and its clients and correspondents.

2. Information concerning the operations and accounts of juridical and private persons may be provided: to the juridical and private persons themselves, the courts, investigative agencies, agencies of the state arbitration service, and auditing organizations in cases provided by law, and to financial agencies in matters of taxation.

3. Information on the accounts and deposits of citizens is provided, in the event of their owners' death, to persons indicated by the owner of an account or deposit in instructions to the bank included in a testament, to state notary offices in connection with inheritance cases they are processing involving the deposits of deceased depositors, and to foreign consular institutions.

**Article 34. The attachment and garnishment of moneys and other valuables kept in banks**

1. Moneys and other valuables kept in banks and belonging to juridical persons and foreign and international organizations may be attached only on the basis of court decisions and rulings of investigative agencies or arbitration agencies, and these valuables may be garnished only on the basis of orders for the execution of judgments issued by courts, the orders of arbitration agencies, and other executive documents, and also on the demand of state tax inspectorates.

2. Moneys and other valuables belonging to citizens and kept in banks may be attached and garnished only on the grounds of a court sentence or decision.

The confiscation of moneys and other valuables belonging to citizens may be carried out on the basis of a sentence that has assumed the force of law or a ruling on the confiscation of property that has been handed down in accordance with the law.

**Section VI. Relations Between Banks, and Commercial Banks' Provision of Services to Clients****Article 35. Interbank deposit, lending and other operations**

1. Commercial banks may, on a contractual basis, attract and invest one another's moneys in the form of deposits and loans, and perform other reciprocal operations provided for in their charters.

2. In the event they have insufficient funds to provide loans to clients and fulfill accepted obligations, commercial banks may apply to the Uzbek SSR State Bank to obtain a loan.

**Article 36. Interest rates on commercial banks' loans**

Interest rates for commercial banks' operations are set by them independently, but are to be no higher than the maximum rates established annually by the Uzbek SSR State Bank on the basis of the interest-rate policy determined by the USSR State Bank.

**Article 37. The contractual nature of relations between a bank and its client**

1. Relations between banks and their clients are contractual in nature.

2. Clients independently chose a bank for lending, clearing and cashier services.

**Article 38. Antimonopoly regulations**

1. Banks are forbidden to utilize their unions and associations to reach agreements aimed at monopolizing the market in banking operations with regard to the setting of interest rates and commissions, and at restricting competition in the banking business.

2. The observance of antimonopoly regulations is monitored by the Uzbek SSR State Bank, as well as by agencies established for that purpose in accordance with antimonopoly legislation.

**Article 39. The settlement of accounts between banks**

1. For the settlement of accounts between banks, the Uzbek SSR State Bank opens in its institutions correspondent accounts of commercial banks.

2. Banks settle accounts in forms established by the USSR State Bank or accepted in international banking practice.

**Article 40. Security for the repayment of loans**

Banks accept as security for the repayment of loans pledges, guarantees and other forms of clients' commitments.

Banks may make decisions to grant credit without security for repayment (unsecured credit).

**Article 41. Borrowers' declaration of insolvency**

Borrowers who do not fulfill their commitments to repay the loans received from a bank in a timely fashion may be declared by it to be insolvent, with notification of this made to the principal creditors, the administratively superior body, the executive committee of the soviet in which the enterprise is registered, and the borrower's founders (shareholders).

**Article 42. Measures taken with respect to a borrower deemed insolvent**

At the proposal of a bank, the following measures may be taken with respect to a borrower deemed to be insolvent:

- the transfer of day-to-day management to a management body appointed with the participation of the creditor bank;
- reorganization.

The measures imposed by the bank are implemented, depending on the borrower's legal status, by the borrower's administratively superior agency, the soviet executive committee, or the borrower's founders (shareholders).

**Article 43. The pledge of security**

1. Banks may accept as pledges of security commodities and other items of material value that are free of lien, output produced by a client, securities, documents of title to goods, and other valuables. All valuables offered as security must be insured at the client's expense.

2. Buildings, structures, equipment and other property classified as fixed assets may be accepted as pledges of security in the event that all the property belonging to a client is, in accordance with legislation, exposed to liability for his obligations.

3. When a debt repayment is long overdue (more than 60 days) on a loan secured by goods and other items of material value, the bank has the right to use the earnings from the sale of the property pledged as security by an enterprise toward the repayment of the debt.

4. The sale of property pledged as security with a bank is done at the bank's orders without appeal to a court or the arbitration service.



5. The money obtained from the sale of property pledged as security with a bank is turned over to the bank to apply to repayment of the debt secured by the pledge, with the bank having priority over the claims of other juridical and private persons.

#### **Section VII. Savings Institutions in the Uzbek SSR**

##### **Article 44. Savings deposits of the public**

1. Savings deposits of the public may be accepted by all commercial banks in the Uzbek SSR.

2. Banks independently establish the terms on which they carry out operations to receive deposits from the public. In order to ensure the stability of the money supply and to prevent inflationary price increases, the USSR State Bank may impose the restrictions stipulated in Article 17 of the USSR Law on the USSR State Bank.

3. Income on deposits is not subject to taxation.

4. When banks accept money on deposit they issue depositors deposit receipts.

##### **Article 45. Banks' obligations to ensure the security of deposits**

Commercial banks that accept deposits from the public must utilize the moneys attracted in this manner to ensure the security of funds and their ability to honor their obligations to depositors in a timely fashion.

To this end, commercial banks, except for the Uzbek SSR Savings Bank, are required to create interbank insurance funds for public deposits according to procedures and terms established by the Uzbek SSR State Bank.

##### **Article 46. The Bank for Labor Savings and Loans to the Public**

1. The Bank for Labor Savings and Loans to the Public (the Uzbek SSR Savings Bank) is a specialized commercial bank that performs operations to attract money from the public and invest it.

2. The security and timely return to the public of deposits in the Uzbek SSR Savings Bank are guaranteed by the Uzbek SSR.

3. Moneys attracted by the Uzbek SSR Savings Bank are used by it for providing loans to the public and for other purposes in accordance with the basic guidelines of the uniform state monetary and credit policy as stipulated in this law, including use for investment in debt obligations of the Uzbek SSR.

4. The Uzbek SSR Savings Bank operates on the basis of its charter, which is approved by the Uzbek SSR State Bank.

##### **Article 47. Depositors**

1. Depositors may be USSR citizens, foreign citizens and stateless persons.

2. Depositors are free in their choice of a bank for the keeping of their savings and may have deposits in one or several banks.

3. Depositors may dispose of deposits, receive income on deposits in the form of interest and in other forms offered by banks, and make noncash payments.

4. A depositor has the right to give instructions to a bank to pay out his deposit, in the event of his death, to any person or state.

In the event of a depositor's death, banks pay out a deposit for which no instructions have been given to the depositor's heirs according to procedures established by legislation of the USSR and Uzbek SSR.

##### **Article 48. The rights of minors with respect to deposits**

1. A minor who has made a deposit in his own name disposes of that deposit independently.

2. Deposits that have been made by someone else in a minor's name are disposed of:

a) before minors have reached the age of 15—by their parents or other legal representatives of the minor;

b) upon a minor's reaching the age of 15—by minors themselves, but with the consent of their parents or other legal representatives.

#### **Section VIII. Record Keeping and Reporting in Commercial Banks and the Auditing of Their Activities**

##### **Article 49. Record keeping and reporting in commercial banks**

Bookkeeping and reporting in commercial banks are carried out in accordance with the uniform regulations of the USSR State Bank.

##### **Article 50. The publication of annual balance sheets and records of profits and losses**

Commercial banks publish annual balance sheets and records of profits and losses in forms and by dates established by the Uzbek SSR State Bank, after an auditing organization has confirmed the accuracy of the information presented in them.

##### **Article 51. Audits**

The activities of commercial banks are subject to audit by auditing organizations that are authorized in accordance with legislation to perform such audits.

*[Signed] I. Karimov, President of the Uzbek Soviet Socialist Republic, Tashkent, 15 February, 1991.*

**Decree on Law's Implementation**

914A0617B Tashkent PRAVDA VOSTOKA in Russian  
5 Mar 91 p 3

[Decree of the Uzbek Soviet Socialist Republic Supreme Soviet "On the Implementation of the Uzbek SSR Law on Banks and Banking Activities"]

[Text] The Supreme Soviet of the Uzbek Soviet Socialist Republic **decrees:**

1. That the Uzbek SSR Law on Banks and Banking Activities is to be implemented.
2. For the purposes of following a uniform monetary and credit policy in the republic, improving the provision of clearing services to enterprises, organizations, institutions and the public, and also providing for coordination of banks' activities, that the Uzbek Republic Bank of the USSR State Bank is to be reorganized as the Uzbek SSR State Bank, which is the republic's central bank.
3. That the Uzbekistan Joint-Stock Commercial Bank is to be closed and its branches turned over to republic joint-stock commercial banks: in cities—to the Uzbek Industrial Construction Bank, and in rayons—to the Uzbek Agroindustrial Bank.
4. That all existing and newly established banks within the republic do not belong to the banking structures of other union republics and of the USSR, and are subject to mandatory registration in the Uzbek SSR State Bank.
5. That the Uzbek SSR State Bank is to complete the registration of the republic joint-stock commercial banks and their institutions prior to 1 June 1991.
6. That the Uzbek SSR State Bank is to provide for the establishment of auditing organizations prior to 1 July 1991. That henceforth, until those organizations are established, their functions are to be performed by the auditing service of the Uzbek SSR State Bank, in connection with which the auditing services in the Industrial Construction Bank, the Agroindustrial Bank, and the Uzbekistan Commercial Bank are to be eliminated and transferred to the Uzbek SSR State Bank.
7. That the Cabinet of Ministers of the Uzbek SSR president:
  - before 1 July 1991, is to bring the decisions of the Uzbek SSR government into conformity with the Law on Banks and Banking Activities.
  - is to ensure the review and revocation by ministries, state committees and departments of normative acts that are contrary to the aforementioned law.

[Signed] M. Ibragimov, chairman of the Uzbek SSR Supreme Soviet, Tashkent, 15 February 1991.

**Uzbek Law on Income Taxes From Citizens, Foreigners, Noncitizens****Text of Law**

914A0614A Tashkent PRAVDA VOSTOKA in Russian  
7 Mar 91 pp 2-3

[Text of UzSSR law issued by UzSSR President I. Karimov: "On Income Tax From Citizens of the UzSSR, Foreign Citizens, and Noncitizens"]

[Text]

**Chapter 1. General Provisions****Article 1. Taxpayers**

Those who shall pay income tax in the Uzbek SSR are citizens of the UzSSR and other union republics, foreign citizens, and noncitizens (henceforth called "citizens"), both those who do have their permanent residence in the UzSSR and those who do not.

Citizens who for the purposes of taxation are considered as having their permanent residence in the UzSSR comprise those citizens spending more than 183 days per calendar year in the UzSSR.

**Article 2. Taxable Income**

1. For citizens with their permanent residence in the UzSSR, income in monetary or in-kind form received either on the territory of the UzSSR or beyond the borders of the UzSSR is subject to taxation.

The income of citizens who do not have their permanent residence in the UzSSR is subject to taxation if that income was received from sources inside the UzSSR.

2. The payment of taxes on income received in foreign currency shall be made at the taxpayer's desire either in rubles or in foreign currency bought by the UzSSR State Bank. Income in foreign currency, in this case, shall be recalculated into rubles at the official exchange rate of the USSR State Bank on the date of the tax's calculation.

**Article 3. Nontaxable Income**

1. Taxable income does not include:

a) state social insurance and state social security benefits, other than benefits for temporary disability (including benefits for the care of an ill child), as well as benefits and other forms of assistance in monetary and in-kind form rendered to citizens out of funds from the V. I. Lenin Soviet Children's Fund, the Soviet Peace Fund, the Soviet Culture Fund, the Soviet Charitable and Health Fund, the USSR Union of the Societies of the Red Cross and Red Crescent, and other charitable and ecological funds;

b) food;

- c) stipends for students of higher educational institutions and of secondary special and professional-technical educational institutions awarded to them by those educational institutions as well as stipends established out of funds listed in subpoint a of the present point;
- d) payments to students of professional-technical schools made by those schools for work completed by the students;
- e) pensions, as well as supplements to pensions;
- f) sums received by citizens for donating blood, from other forms of donorship, for donating breast milk, as well as sums received by workers of medical institutions for collecting blood;
- g) sums received in compensation for injury or loss of working ability connected with maiming or other injury to health, as well as upon the loss of a breadwinner;
- h) salaries and other sums in foreign currency received by citizens from Soviet state enterprises, institutions, and organizations in connection with being sent by them to work abroad;
- i) sums received as a result of the sale of property belonging to citizens by right of property, other than income from selling output and other property produced for sale;
- j) income to citizens from the sale of food production from private plot agriculture, including from raising young livestock and fowl on the basis of contracts with enterprises, institutions, and organizations;
- k) sums received as a result of inheritance or gift, with the exception of author fees received by heirs (legatees) of authors of works of science, literature, and art;
- l) earnings from bonds of state loans of the USSR and UzSSR and from lotteries;
- m) sums received by citizens from mandatory and voluntary insurance;
- n) interest and earnings from deposits in state banking institutions and from USSR state treasury bonds;
- o) sums awarded for rationalization proposals;
- p) sums equal to the value of gifts (material bonuses) received from enterprises, institutions, and organizations in the amount of up to 200 rubles (R) per year inclusively, as well as the value of material prizes received from international, all-union, and republic contests and competitions;
- q) material assistance rendered in connection with natural disasters, other extraordinary circumstances, as well as in instances when this kind of assistance is rendered on the basis of resolutions of the USSR Cabinet of Ministers of the Cabinet of Ministers under the President of the UzSSR and the Council of Ministers of the Karakalpakskaya ASSR, regardless of the amount of the

sum paid; material assistance in instances other than those indicated in subpoint a of the present point, up to R500 per year inclusively;

r) dividends received from shares in an enterprise and used to acquire shares in the same enterprise;

s) income of members of gold prospecting artels received for work connected with gold prospecting activities.

## 2. Taxable income shall be reduced by:

a) sums transferred at the petition of citizens from income outstanding to them from enterprises, institutions, and organizations to the V. I. Lenin Soviet Children's Fund, the Soviet Peace Fund, the Soviet Culture Fund, the Soviet Charitable and Health Fund, the USSR Union of the Societies of the Red Cross and Red Crescent, ecological funds, other republic, regional, and local divisions, as well as to enterprises, institutions, and organizations of culture, education, health care, and social security financed wholly or in part out of the budget;

b) contributions for purposes listed in subpoint a of the present point made by citizens out of income subject to taxation by the organs of taxation in amounts no greater than the total income calculated for taxation for the respective calendar year.

## Article 4. Tax Privileges

1. The following are wholly freed from the payment of taxes:

a) workers, employees, and other citizens who receive salaries and other forms of monetary reward taxable at their place of basic work (service, study) and not exceeding R1,920 per year;

b) citizens for author fees for the creation, publication, performance, or other use of works of science, literature, and art, inventions, discoveries, and industrial models, not over R1,920 per year, in the absence for these citizens of a place of basic work;

c) citizens for income from all forms of entrepreneurial and individual labor activity, peasant or farmer's farms, as well as from objects of entrepreneurship not over R1,920 per year in the absence for these citizens of a place of basic work;

d) members of peasant farms for two years, beginning with the year of the formation (registration) of the peasant farm, for income received from this farm;

e) kolkhoz members for income they receive for work on kolkhozes of which they are members;

f) servicemen in actual immediate military service and those subject to the draft called up for training or refresher courses, for monetary allowance, per diem, or other sums received at the place of service or for the time spent in training or refresher courses;

g) Heroes of the Soviet Union, individuals awarded the Order of Glory of all three degrees, invalids of the Great Patriotic War, or other invalids from among those servicemen who became invalids as a result of wounds, contusions, or maimings incurred in the defense of the USSR or in fulfilling other obligations of military service, or as a result of illness connected with being at the front, invalids from among former partisans, as well as other individuals on a level according to pension security with the indicated categories of servicemen, for all income they receive;

h) participants in the Civil War or Great Patriotic War and other military operations in the defense of the USSR from among those servicemen who have done their service in military units, staffs, and institutions that form a part of the active army, as well as former partisans and labor front veterans of the Great Patriotic War, for all income they receive;

i) invalids among the officers and rank and file of the organs of internal affairs who have become invalids as a result of injuries, contusions, or maimings incurred while carrying out service obligations, for all income they receive;

j) lifelong invalids, as well as group I and II vision invalids, for all income they receive;

k) mother-heroes, for all income they receive;

l) citizens who worked in Leningrad during the blockade in the years of the Great Patriotic War between 8 September 1941 and 27 January 1944, for all income they receive;

m) parents and wives of servicemen who died as a result of injuries, contusions, or maimings incurred in the defense of the USSR or in fulfilling other obligations of military service, or as a result of illness connected with being at the front, for all income they receive;

n) servicemen and those subject to the draft called up for training and refresher courses who spent their service in the limited contingent of Soviet forces temporarily stationed in the Republic of Afghanistan, for all income they receive;

o) members of student labor detachments, for income from jobs completed on the basis of contracts concluded by proxy with the staffs of the student construction detachments;

p) citizens sent by enterprises, institutions, organizations, and educational institutions to do agricultural work, for income received for the completion of these jobs.

## 2. The amount of tax shall be reduced:

a) for group I and II invalids, other than those indicated in point 1 of the present article, by 50 percent for all income they receive;

b) for members of the officer corps, ensigns, warrant officers, and servicemen in additional service, as well as for the rank and file and officer staff of the organs of internal affairs, for their monetary allowance, according to procedures and amounts established by the USSR Cabinet of Ministers;

c) for citizens with three or more dependents, by 30 percent for all income;

d) for single mothers with two or more children under the age of 16 years, by 30 percent for all income they receive;

e) for widows and widowers with two or more children under the age of 16 years who are not receiving a pension for the loss of the breadwinner, by 30 percent for all income they receive;

f) for one of the parents of a lifelong invalid whom they are raising and who is living with him and requires constant care, by 30 percent for all income the parent receives.

3. Should a citizen be entitled to tax privileges on several grounds, he is entitled to whichever is greatest.

4. Executive committees of local congresses of people's deputies have the right to consider the material situation and free individual taxpayers from income tax as well as to lower the amount of tax for individual taxpayers.

5. The rights of citizens to benefits listed in the present article of the law shall be confirmed by documents, a list of which shall be drawn up by the UzSSR Ministry of Finance in the established procedure.

The right of citizens to privileges goes into effect the moment they submit the appropriate documents.

6. The tax privileges stipulated for by the present article are also offered to citizens performing individual labor activity on the basis of a patent once they have paid for the patent.

## Article 5. Elimination of Double Taxation

Income received abroad by individuals with their permanent residence in the UzSSR is included in the income subject to taxation in the UzSSR.

Income tax paid abroad in accordance with the legislation of foreign governments by individuals with their permanent residence in the UzSSR, who pay income tax in the UzSSR, counts toward their payment of income tax in the UzSSR. However, the amount of the taxes paid abroad may not exceed the tax subject to payment in the UzSSR.

## Article 6. International Agreements

If international accords of the USSR or accords of the UzSSR establish rules other than those contained in the tax legislation of the UzSSR, then the rules of the international accord shall apply.

## Chapter 2. Taxation of Citizens' Salaries, Wages, Fees, and Other Income

### Article 7. Categories of Taxpayers and Objects of Taxation

In accordance with the propositions of the present chapter of the law, the following are called upon to pay taxes:

a) workers and employees, for salaries, bonuses, and any other compensations and payments connected with their fulfillment of labor obligations, as well as for sums received in the form of dividends on shares in labor collectives and other income received as a result of the distribution of the profit (income) of enterprises, institutions, and organizations;

b) those on a level, for purposes of taxation, with workers and employees of the taxpayer category:

—members of producing cooperatives (other than kolkhozes) and individuals working in them on labor contracts, for income paid by these cooperatives,

—citizens working in joint enterprises created on the territory of the UzSSR with the participation of Soviet and foreign organizations, firms and organs of government, in international associations and organizations, foreign firms, banks, and their representatives, for salaries, bonuses, and other fees and payments connected with their fulfillment of labor obligations;

—individuals of the officer's corps, ensigns, warrant officers, and servicemen in additional service, for their monetary allowance;

—lawyers for fees they receive for legal consultations;

c) citizens receiving income from religious organizations and their enterprises;

d) citizens who have previously worked in enterprises, institutions, and organizations, for sums they receive from those enterprises, institutions, and organizations as a result of profit (income) distribution;

e) salaries and other income in monetary and in-kind form received from enterprises, institutions, and organizations by citizens not permanently employed by them for performing one-time and other jobs on a contractual basis;

f) material assistance (with the exception of that stipulated in article 3 of the present law);

g) citizens involved in entrepreneurial and individual labor activity, as well as individuals who have contracted with the subjects of entrepreneurship for the use of their labor;

h) citizens who receive income from renting and leasing buildings, apartments, rooms, and so on (other than boarding houses), garages, automobiles, and other movable and immovable property;

i) citizens receiving income in the form of interest and earnings on investments in bank institutions, other than income listed in subpoints m and o, point 1, article 3, of the present law;

j) citizens with their permanent residence in the UzSSR receiving income in or from a foreign country;

k) all other income of citizens not listed in points a-j of the present article of the law;

l) income of citizens listed in point 3, article 8, of the present law.

### Article 8. Tax Rates

1. From the salaries, payments, fees, and other income of citizens listed in points a-c, article 7, of the present law, a tax shall be assessed in the following amounts:

Annual Income	Tax
R1,921-2,400	30 kopeks for every ruble over R1,920
R2,401-3,600	R144 + 13.0 percent of any amount over R2,400
R3,601-6,000	R300 + 14.0 percent of any amount over R3,600
R6,001-12,000	R636 + 15.0 percent of any amount over R6,000
R12,001-18,000	R1,536 + 20.0 percent of any amount over R12,000
R18,001-24,000	R2,736 + 30.0 percent of any amount over R18,000
R24,001-36,000	R4,536 + 40.0 percent of any amount over R24,000
R36,001 and above	R9,336 + 50.0 percent of any amount over R36,000

2. On salaries and other income of citizens listed in points d-k, article 7, of the present law, a tax will be

assessed in the following amounts:

Annual tax	Tax
Up to R2,400	6 percent of total income
R2,401 and above	according to the rates indicated in point 1 of the present article of the law.

3. In accordance with the propositions of the present point of the law, those called upon to pay taxes are:

a) authors of works of science, literature, and art, their legatees and heirs, on author fees for the creation, publication, performance, or other use or presentation of the right to use these works;

b) authors of translations of works of science, literature, and art, their legatees and heirs, on author fees;

c) authors of discoveries, inventions, and industrial models, their legatees and heirs, on fees;

d) citizens who edit or review works of science, literature, and art, on author fees;

e) other citizens who in accordance with copyright legislation receive author fees, on author fees.

A tax shall be assessed on fees in the following amounts:

a) if the fee is paid according to established rates:

Annual Income	Tax
Up to R2,400	6 percent of the sum of the fee
R2,401-3,600	R144 + 13 percent of any amount over R2,400
R3,601-6,000	R300 + 14 percent of any amount over R3,600
R6,001-12,000	R636 + 15 percent of any amount over R6,000
R12,001-18,000	R1,536 + 20 percent of any amount over R12,000
R18,001 and above	R2,736 + 30 percent of any amount over R18,000

b) if the fee is not paid according to established rates, a tax shall be assessed at the rates indicated in point 2 of the present article of the law.

4. On the fees paid to heirs of authors repeatedly (more than once), a tax shall be assessed in the following amounts:

Annual Income	Tax
Up to R500	60 percent of the income
R501-1,000	R300 + 65 percent of any amount over R500
R1,001-3,000	R625 + 70.0 percent of any amount over R1,000
R6,001-10,000	R4,275 + 80.0 percent of any amount over R6,000
R10,001-15,000	R7,475 + 85 percent of any amount over R10,000
R15,001 and above	R11,725 + 90.0 percent of any amount over R15,000

The amount of the tax shall be reduced by 50 percent for heirs up to the age of 18 years, women over 55, and men over 60.

e) expenses connected with the receipt (extraction) of income from creative, entrepreneurial, and individual labor activity.

#### Article 9. Sums Not Subject to Income Tax

The following are not subject to income tax:

a) discharge gratuities paid for dismissal in accordance with effective legislation;

b) compensation payments within the limits of norms envisaged by the effective legislation of the USSR and UzSSR, with the exception of compensation upon dismissal for unused vacation time;

c) sums paid in accordance with effective legislation in exchange for freely provided housing and communal services;

d) the value of in-kind allowances stipulated for by the corresponding resolutions of the USSR Cabinet of Ministers and the Cabinet of Ministers under the President of the Uzbek SSR, as well as sums paid in exchange for these allowances;

The list of expenses connected with the extraction of this income includes material expenses, amortization deductions for the full restoration of productive capital, lease payments, expenses to pay for the labor of citizens who have contracted for the use of their labor, deductions for state social insurance, payments for mandatory property insurance, interest payments on short-term bank credit other than interest on overdue and extended loans, as well as expenses for all types of repairs to productive capital.

#### Article 10. Taxation on Payment for Work in Hardship Climates

On supplemental wages paid according to coefficients established by legislation of the USSR and UzSSR for work in hardship climates (rayon coefficients for work in high mountain, wilderness, and desert areas), and on supplements for length of work in these indicated locations, tax shall be assessed at a rate of 13 percent.

**Article 11. Procedure for Determining Taxable Income in the Liquidation of Enterprises and Organizations**

All income received by citizens from enterprises and organizations being liquidated, including income allocated to citizens in connection with the sale of the property of such enterprises and organizations, is taxable along with other income (salaries) from the same year in which this income is paid, not to be distributed over more than one year.

**Article 12. Procedure for Calculating and Paying Taxes on Salaries and Other Income at Citizens' Place of Basic Work**

Tax shall be calculated and deducted from salaries and other income in monetary and in-kind form paid by enterprises, institutions, and organizations on a monthly basis at the place of payment. The amount of tax on monthly income shall be determined by the UzSSR Ministry of Finance, based on the tax rates set in points 1 and 2, article 8, of the present law. At year's end the tax shall be recalculated, based on total salaries and other payments made during the year immediately past.

Any tax deducted during the year at the place of payment from salaries and other income shall figure into the final calculation.

**Article 13. Procedure for Calculating and Paying Taxes on Salaries and Other Payments Not at the Place of Basic Work**

1. On salaries and other income received for work in more than one place for one-time jobs and other payments not at the place of basic work (service, study), tax shall be deducted according to the rates stipulated in point 2, article 8, of the present law.

2. When citizens begin an additional job not at their place of basic work (service, study), or perform one-time and other jobs on a contractual basis (other than one-time jobs of a short-term nature lasting no longer than five days with a single wage payment, regardless of the number of such jobs in a calendar year), they must provide information about their basic place of work (service, study).

In the event of a change in basic place of work (service, study), citizens must provide information to the administration of the enterprise, institution, organization in which they have an additional job or are doing other jobs on a contractual basis about the change in their basic place of work within a month's time.

3. Regarding all sums paid for work at additional jobs not at the place of basic work (service, study) for one-time and other jobs performed on a contractual basis and tax deducted from those payments, the enterprises, institutions, and organizations making such payments must, no later than the next month following the payment, inform the income recipient's place of basic work (service, study). Upon receiving such information, the accountant at the place of basic work (service, study)

must recalculate the tax for the corresponding month, taking into consideration the total wages from the basic place of work (service, study) and from additional jobs, at the rates stipulated in article 8 of the present law.

Depending on the results of the recalculation, the citizen shall be assessed an additional tax or refunded any excess sum deducted.

**Article 14. Procedure for Calculating and Paying the Tax on Author Fees for the Creation, Publication, Performance, or Other Use of Works of Science, Literature, and Art, as Well as Fees for Authors of Discoveries, Inventions, and Industrial Models**

1. A tax on author fees for the creation, publication, performance, or other use of works of science, literature, and art, as well as fees for authors of discoveries, inventions, and industrial models in the course of a year shall be assessed and deducted directly at the place of payment of the income at the rates in point 3, article 8, of the present law. With each successive payment the tax shall be recalculated based on the total sum of payments made in the current year for the given place of payment.

At the end of the year, citizens (other than authors' heirs) must no later than 1 March supply the tax organ for their place of residence a declaration of income actually received in the year past. However, citizens who have received a fee one time in the course of the calendar year shall not submit an income declaration.

2. In the presence of contracts for the creation, publication, performance, or other use of works of science, literature, and art, fees paid as an advance on this contract and upon final accounting shall be totaled and distributed for purposes of taxation over the number of years the contract is in effect.

In the absence of such a contract, if the fee for the creation or first publication of the work exceeds R12,000, this sum shall be distributed at the payer's petition over three years.

An analogous procedure shall apply to fees received by authors of discoveries, inventions, and industrial models during the first year of their use.

Provisions of the present point apply only on condition that the fee is paid according to established rates.

3. The final tax for the year from the income of citizens listed in the present article of the law (other than authors' heirs) shall be determined by the tax organs within two months after receiving the declaration on actual annual income and expenses connected with the receipt of that income.

Tax shall be assessed on annual income at the rates in point 3, article 8, of the present law.

Taxes deducted during the year at the place of income payment shall count toward the final calculation.

4. Every year, no later than 1 February, enterprises, institutions, and organizations that make fee payments must submit to the tax organs for their location written information on sums paid over the past year to citizens, along with their permanent addresses and information about tax deducted from that income.

The tax organs for the location of the enterprises, institutions, and organizations that have paid author fees shall send this information to the tax organs for the place of permanent residence of the income recipients for their consideration of correct and full taxation.

5. In the event that as a result of calculating the tax according to the income declarations for the year additional tax must be paid, citizens shall be given three months from the day notice is received from the tax organ to pay the added assessment. Should it be necessary to refund from the budget excess taxes paid during the year, such sums shall be subject to refund to citizens by the tax organs no later within two months after receipt of the annual income declaration.

In order for citizens freed from submitting declarations in accordance with point 1 of the present article to be refunded any excess tax deducted during the year, they must submit a petition to this effect to the tax organ for their place of permanent residence.

#### **Article 15. Procedure for Calculating and Paying Tax on Other Income**

1. In the procedure envisaged in the present article of the law, those called upon to pay taxes include citizens involved in all types of entrepreneurial, individual labor, and other activity; citizens who receive income in the form of interest and earnings on investments in bank institutions; citizens with their permanent residence in the UzSSR who receive income in or from foreign countries, other than author fees and payments connected with labor obligations they fulfill; all other income of citizens not listed in articles 12, 13, and 14 of the present law.

2. Taxable income is defined as the difference between gross income (in monetary and in-kind form) and documentally substantiated expenses related to the extraction of the income.

3. Tax shall be assessed on total annual income from all types of entrepreneurial and individual labor activity.

Taxation shall be carried out by the tax organs for the taxpayer's place of permanent residence, and if the activity is performed in another place, then for the place where the activity was performed, but with mandatory reporting to the tax organ for the taxpayer's place of permanent residence as to the amounts of income and tax.

4. Tax on income indicated in the present article of the law and payable by enterprises, institutions, and organizations, shall be calculated by them according to the rates in point 2, article 8, of the present law. With each

subsequent payment, the tax shall be recalculated based on the total payments in the current year for the given place of payment.

5. Tax shall be paid according to the following procedure:

a) every quarter, taxpayers shall contribute 25 percent of their annual tax, calculated according to the preceding year's income, and taxpayers required to pay taxes for the first time shall pay 25 percent as calculated for them by the tax organs for their estimated income for the current year.

In the event of a significant increase or decrease in a taxpayer's income during the year, the tax can be recalculated for subsequent tax payment deadlines;

b) at the end of the year, the annual tax shall be calculated according to the income actually received, and the difference between this amount and the amount paid in the course of the year shall be subject to assessment from the taxpayers or refund to them no later than 15 March of the next year, or, upon the cessation of existence of the source of income, within a 15-day period.

6. Taxation of taxpayers listed in the present article of the law shall be carried out on the following bases:

a) taxpayer declarations of income actually received during the year, submitted by 15 January of the following year.

If a new source of income appears during the year, citizens shall submit a declaration within a five-day period after the end of the month of the day the new income source appears in which they indicate their actual income for the first month of activity and their estimated income through the end of the current year.

Given the cessation of existence of a source of income, a declaration shall be submitted within a five-day period from the day of cessation;

b) materials produced by the tax organs investigating the activities of citizens and others possessing information about the income of taxpayers.

7. Tax shall be paid by the following dates: 15 March, 15 May, 15 August, and 15 November.

8. The income of each member of a family and other individuals jointly conducting a business and possessing property on the basis of shared royalty property shall be determined at their agreement, as indicated in the income declaration presented to the tax organ.

9. Enterprises, institutions, and organizations making payments to citizens involved in entrepreneurial and individual labor activity must present monthly to the tax organs for their location written information on the amounts they have paid out to those citizens. The tax organs for the location of the enterprises, institutions,



and organizations that have paid out income shall send this information to the tax organs for the income recipient's place of permanent residence for calculation of correct and full taxation.

10. Income tax shall be deducted from the wages of citizens who have contracted with subjects of entrepreneurship for the use of their labor. Tax shall be deducted at the rates in point 1, article 8, of the present law in the event of the absence for these citizens of a place of basic work or at the rates in point 2, article 8, if they do have a place of basic work.

Tax shall be recalculated at the beginning of the next term of payment, as indicated in point 7 of the present article.

#### **Article 16. Procedure for Enterprises, Organizations, and Institutions to Transfer Assessed Tax to the Budget**

1. Immediately upon receipt from bank institutions of the means to pay citizens funds due them, enterprises, institutions, and organizations shall transfer the assessed tax to the budget.

Organizations that have paid wages from receipts from the sale of output and services rendered shall deposit the calculated tax to a bank institution the day after payment of wages.

2. Payment of tax from citizens' salaries out of the funds of enterprises, institutions, and organizations is prohibited.

### **Chapter 3. Taxation of Citizens Income from Peasant Farming**

#### **Article 17. Category of Taxpayers and Object of Taxation**

The procedures and amounts indicated in the present chapter of the law shall pertain to the payment of taxes by a citizen or citizens jointly engaged in peasant farming, that is, a business devoted to the cultivation, production, and processing of agricultural output in a rural location.

Taxable income is defined as the difference between gross income (in monetary and in-kind form) and documentally substantiated expenses related to the extraction of the income.

Expenses related to extracting income include material costs, amortization deductions for full restoration of productive capital, lease payments, expenses for paying for the labor of citizens who have contracted for the use of their labor, deductions for state social insurance, payments for mandatory property insurance, interest payments for short-term bank credit, other than interest on overdue and extended loans, as well as expenses for all types of repair to productive capital.

#### **Article 18. Procedure for Calculating and Paying the Tax**

1. Citizens indicated in article 17 of the present law shall in the course of the year independently pay into the budget a tax equaling 10 percent of their monthly earnings by the tenth of the month following the month in which the earnings were received from the sale of the agricultural output or services rendered. The tax shall be paid from the total earnings at the instruction of one of the members of the peasant farm.

The final amount of tax for the year shall be determined by the tax organ on the basis of the declaration of actual annual income received presented by 1 March of the following year. The amount of respective taxation on the annual income of each member of the peasant farm shall be determined by agreement among them, as shall be reported in this declaration.

Additional tax payments, and in appropriate instances refunds of excess tax paid during the year, shall be made no later than 1 April of the following year.

2. Income tax from citizens who have contracted for the use of their labor on a peasant farm shall be deducted upon payment to these citizens of their salary by a member of the peasant farm with which the contract was concluded. Tax shall be deducted at the rates in point 1, article 8, of the present law in the event of the absence for citizens working in the peasant farm of a place of basic work or at the rates in point 2, article 8, if they do have a place of basic work. Transfer of the tax shall be made upon the start of the next period of estimated tax payment from monthly earnings.

### **Chapter 4. Taxation for Foreign Citizens and Noncitizens**

#### **Article 19. Determination of Taxable Income**

1. Taxable income of foreign citizens and noncitizens (henceforth referred to as "foreign physical persons") shall be determined according to the same procedure as taxable income of citizens of the UzSSR. In determining the taxable income of foreign physical persons, the following will also be included:

a) additional payments in connection with residence in the USSR;

b) payments to compensate for expenses for the education of children in school, food, trips made by members of taxpayers' families, and analogous purposes.

2. Taxable income does not include:

a) sums allocated by the employer of the foreign physical individual to funds of state social insurance and pension security;

b) compensation for expenses for renting housing and maintaining an automobile for business purposes;

c) travel expenses.

**Article 20. Amounts of Taxation**

Income of foreign physical persons who are considered to have their permanent residence in the UzSSR is subject to income tax in the amounts stipulated by the legislation of the UzSSR for the assessment of income tax on analogous income of citizens of the UzSSR.

Income of owners of private companies is taxable in the amounts stipulated in point 1, article 8, of the present law.

**Article 21. Procedure for Calculating and Paying the Tax**

1. Foreign physical persons who are considered for purposes of taxation to have their permanent residence in the UzSSR and who receive income from sources outside the UzSSR shall submit income declarations according to the procedure established in the present article.

Foreign physical persons who are considered for purposes of taxation to have their permanent residence in the UzSSR and who receive income the taxation of which is regulated by chapters 2-3 of the present law shall submit income declarations according to the procedure established in the respective chapters.

2. Declarations on income actually received shall be submitted before 1 March of the year following the report year to the tax organ for the place where the activity is performed or of the foreign physical person's residence.

A declaration on estimated income in the current year shall be submitted by the foreign physical person considered to have his permanent residence in the UzSSR within a month from the day of his arrival in the UzSSR.

Upon the cessation during the calendar year of the activity and the departure of the foreign physical person from the UzSSR, a declaration of income actually received must be submitted at least a month before departure.

3. Income tax on the income of foreign physical persons, taxable on the basis of income declarations, shall be calculated by the tax organ for the place where the activity is performed or for the payer's UzSSR residence. The payment notice sent by the tax organ to the taxpayer is the tax payment document.

On the basis of a declaration of estimated income, an estimated tax payment shall be calculated for the taxpayer, payable at 75 percent of his tax obligations; recalculation of the tax will be made on the basis of actual income.

Taxes shall be paid during the current year in three equal shares—by 15 May, 15 August, and 15 November. Payment of the remainder of the recalculated tax for the fiscal year shall be made within a month of the day the payment notice is issued. Excess tax payments shall

either be refunded to the taxpayer or applied toward future payments, according to the taxpayer's wish.

4. Levy of income tax from foreign physical persons may be curtailed or restricted on the basis of the mutuality principle, when in the respective foreign state the same measures are applied with respect to citizens of the UzSSR, which must be verified by the tax organs of that state.

Instructions to apply the present point shall be given by the UzSSR Ministry of Finance in agreement with the UzSSR Ministry of Foreign Affairs.

**Chapter 5. Taxation of Income From Sources in the UzSSR Received by Persons Who Do Not Have Their Permanent Residence in the UzSSR****Article 22. Amounts of Taxation**

On income from sources in the UzSSR (other than income indicated in points a, b, c, d, e, and f, article 7, of the present law) received by persons who do not have their permanent residence in the UzSSR, tax shall be deducted at the source of payment of the income at a rate of 20 percent. The indicated tax rate applies if no other obtains from the propositions stipulated for by article 6 and point 4, article 21, of the present law.

From income indicated in points a, b, c, d, e, and f, article 7, of the present law, tax shall be deducted at the rates cited there.

**Chapter 6. Ensuring Observance of the Present Law****Article 23. Obligations of Citizens, Enterprises, Institutions, and Organizations**

1. Citizens subject to taxation in accordance with the present law are obligated:

a) to present to the tax organs, in the instances envisaged by the present law, declarations on income and expenses using the forms being established by the UzSSR Ministry of Finance as well as other necessary documents and notices confirming the authenticity of the facts given in the declaration as well as to take into account income subject to taxation and expenses related to the extraction of that income;

b) to claim tax privileges and in the appropriate instances provide the appropriate documents;

c) to pay the tax assessed by the tax organs to the budget in a timely fashion and in full;

d) to allow officials of the tax organs to enter buildings used for the extraction of income.

2. Enterprises, institutions, and organizations are obligated:

a) to assess, deduct, and transfer to the budget in a timely and accurate fashion taxes on the salary of workers and employees and other income subject to taxation at the source of payment;

b) to provide the tax organs in a timely fashion information about income they have paid to citizens that is subject to taxation by the tax organs.

3. In concluding foreign economic deals it is not permitted to include tax provisos in accordance with which enterprises, institutions, and organizations that pay out income take upon themselves responsibility for bearing the expenses of paying taxes for foreign physical persons.

#### **Article 24. Procedure for Deducting and Refunding Incorrectly Deducted Taxes**

Taxes on salaries of workers and employees and other income of citizens that are not deducted by enterprises, institutions, and organizations in a timely fashion may be deducted for no more than a year, and the refund of excess tax deducted is not allowed for more than two years up to the discovery of the incorrect deduction.

From citizens, the taxation of whose income is carried out on the basis of their declarations and who have not been assessed taxes in a timely fashion or have been assessed tax incorrectly, the recovery or refund to them of the tax shall be made for no more than the two years preceding the discovery of the incorrect deduction.

The sum of the tax not recovered as a result of a taxpayer's evasion of taxation shall be collected for the entire time of the evasion.

#### **Article 25. Responsibility of Citizens, Enterprises, Institutions, and Organizations**

1. The tax organs shall present a notice to taxpayers who have not provided a declaration on income subject to taxation to pay taxes equal to 150 percent of the sum of the tax paid for the preceding fiscal period, or an amount conditionally estimated on the basis of income information in the tax organ's possession. After providing the aforementioned documents and their verifications, the tax shall be recalculated based on actual income with a deduction of 10 percent from the tax due.

Citizens guilty of violating the rules for employment in individual labor activity or involved in individual labor activity that is expressly prohibited, as well as citizens guilty of not providing or not providing in a timely fashion income declarations or of including distorted facts in the declaration, in the absence of a proper accounting of income and expenses necessary for the purposes of taxation, shall be called by the leaders of the tax organs to administrative responsibility in the form of fines in amounts established by the legislation of the UzSSR.

2. The concealment (underreporting) of income actually received from taxation entails full confiscation of the concealed (underreported) income and imposition of a fine equal to the concealed (underreported) income, and in repeat cases, a doubled fine.

The concealment of income received in freely convertible currency entails a recalculation of income at double the special rate of the USSR State Bank.

These sums shall be paid to the budget within 10 days from the date the report is compiled by the officials of the tax organs. Given refusal to pay these sums, they shall be collected according to the procedure established by the Resolution on Collecting Overdue Taxes and Nontax Payments.

3. Officials of enterprises, institutions, and organizations guilty of incomplete and untimely deductions and transfers of income tax to the budget, of concealing (underreporting) the income of citizens, of not keeping accounts or of keeping accounts that violate the established procedures, of distorting accounting reports, of untimely provision, nonprovision, or provision not in the established form of documents related to the calculation and payment of taxes, shall be called in by the leaders of the tax organs to administrative responsibility in the form of a fine established by legislation of the UzSSR.

4. Taxes subject to collection at the source of payment that are not deducted in a timely fashion, not deducted in full, or not transferred to the budget shall be recovered in an indisputable procedure by the tax organ from the enterprises, institutions, and organizations paying income to citizens.

5. For missing a tax payment, a penalty shall be collected amounting to 0.5 percent of the outstanding payment for each day of delay.

#### **Article 26. Appeal of Actions of the Tax Organs**

Complaints against the actions or instructions made by officials in assessing a tax shall be submitted to the organ to which these officials are directly subordinated or at the instruction of which the assessment was made. Complaints shall be reviewed and decisions on them issued with respect to enterprises, institutions, and organizations within 15 days of the date the complaint is made, and with respect to citizens within the period established for consideration of citizens' letters, petitions, and complaints.

Decisions on complaints may be appealed within a month's time to a superior tax organ or to a people's court.

Submission of a complaint does not halt the assessment of the tax. The organ examining the complaint has the right to halt the collection of the tax due until the complaint is resolved.

Appeal of actions of officials of tax organs connected with the imposition of administrative assessments shall be made in accordance with the legislation of the UzSSR on administrative offenses.

**Article 27. Instruction for Applying the Present Law**

Instructions for applying the present law shall be issued by the UzSSR Ministry of Finance in accord with the UzSSR Ministry of Justice. *[Signed] I. Karimov, UzSSR President, Tashkent, 15 February 1991*

**Decree on Implementation of Income Tax Law**

914A0614B Tashkent PRAVDA VOSTOKA in Russian  
7 Mar 91 p 3

[Resolution of the UzSSR Supreme Soviet, issued by M. Ibragimov, chairman of the UzSSR Supreme Soviet: "On the Procedure for Implementation of the Law of the UzSSR: 'On Income Tax from Citizens of the UzSSR, Foreign Citizens, and Noncitizens'"]

[Text] The Supreme Soviet of the Uzbek Soviet Socialist Republic **resolves:**

1. To implement the UzSSR Law "On Income Tax from Citizens of the UzSSR, Foreign Citizens, and Noncitizens" as of 1 April 1991.

2. Salaries and other payments paid out by enterprises, institutions, and organizations after the implementation of the law for work and other activities performed before 1 April 1991 shall be liable for income tax according to the procedures and amounts effective prior to the passage of the law.

All other income of citizens will be subject to taxation according to the procedures and amounts established by the law, regardless of when the income was extracted.

3. The Cabinet of Ministers under the President of the UzSSR shall:

- by 1 April 1991, submit to the UzSSR Supreme Soviet proposals for bringing the legislative acts of the UzSSR into alignment with the Law "On Income Tax from Citizens of the UzSSR, Foreign Citizens, and Noncitizens";
- by 1 January 1993, compose and submit for consideration by the UzSSR Supreme Soviet proposals for carrying out the second stage of reform of income tax from citizens that provide for a transition to a uniform principle of taxation on income of citizens on the basis of full accounting of their total annual sum, expenses for supporting children, dependents, and other socially justified expenses;
- bring the resolutions of the UzSSR government into alignment with the UzSSR Law "On Income Tax from Citizens of the UzSSR, Foreign Citizens, and Noncitizens."

*[Signed] M. Ibragimov, chairman, UzSSR Supreme Soviet, Tashkent, 15 February 1991.*

**Uzbek State Committee for Material-Technical Supply Reorganized****Text of Ukase**

914A0620A Tashkent PRAVDA VOSTOKA in Russian  
2 Mar 91 p 1

[Ukase: "Ukase of the President of the Uzbek Soviet Socialist Republic Concerning the Reorganization of the UzSSR State Committee for Material-Technical Supply As the UzSSR State-Cooperative Committee for Material-Technical Supply (UzSSR Goskoopsnab)"]

[Text] For purposes of improving material-technical supply and developing economic ties under conditions of the transition to market relations:

1. UzSSR State-Cooperative Committee for Material-Technical Supply (UzSSR Goskoopsnab) is to be organized on the base of UzSSR State Committee for Material-Technical Supply and its republic-level and oblast subdivisions.

It is to be defined that the activities of the UzSSR Goskoopsnab are carried out on principles of the individual and collective membership of the stockholders, the voluntary participation of cooperative, state, leased, private, and public organizations and enterprises, and individuals engaging in individual production activity.

UzSSR Goskoopsnab can also voluntarily, on contract principles, become part of union and republic-level state, cooperative, and mixed societies and associations, with the preservation of their complete economic independence and rights as a legal entity.

UzSSR Goskoopsnab independently resolves all questions linked with economic-financial, economic, and social activities; opens up, in bank institutions, accounts for the monetary and foreign-currency funds for making settlements with the suppliers, consumers, subcontractors, and the budget; and uses short-term and long-term credit.

2. UzSSR Goskoopsnab is encharged with the functions of:

- material-technical supply of the branches of the national economy (with the exception of the agroindustrial complex), as well as state, republic-level, and interrepublic scientific-technical, ecological, and socioeconomic programs on the basis of contracts, including economic contracts, and intergovernmental agreements;
- organizing procurements of secondary resources and involving industrial waste products into circulation, and the supplying of packing and packaging materials;
- forming a barter fund of material-technical resources with the use of the republic's resource potential for creating a reserve and reserve stocks, participating in

the creation of a market stabilization fund, guaranteeing the monitoring of export shipments and shipments in accordance with intergovernmental agreements, and maintaining and developing the production and economic ties that have developed between consumers and producers;

- promoting the saturation of the consumer market with commodities and developing the market infrastructure, creating intermediary trading companies, commercial centers, commodities exchanges, and wholesale fairs, and brokerage and leasing companies;
- carrying out foreign-economic activities with foreign firms.

3. It is to be recommended to enterprises situated on the territory of Uzbek SSR, irrespective of their subordination status or the forms of ownership, that they sell through agencies of UzSSR Goskoopsnab the output that they produce that is intended for technical-production purposes and the consumer goods that are being channeled into meeting production needs.

4. Comrade T. Ya. Sharipov, deputy chairman of the Cabinet of Ministers under the President of Uzbek SSR, and the director of the Complex for Resources, Material-Technical Support, and Contracts, is to develop a draft version of the statute governing the UzSSR State-Cooperative Committee for Material-Technical Supply and, within a two-week period, to submit it to the Cabinet of Ministers for approval.

[Signed] I. Karimov, president of Uzbek Soviet Socialist Republics, Tashkent, 1 March 1991.

#### Commentary on Ukase

914A0620B Tashkent PRAVDA VOSTOKA in Russian  
2 Mar 91 pp 1-2

[Article: "Commentary on the Ukase of the UzSSR President"]

[Text] The published Ukase of the President of Uzbek SSR is aimed at improving the material-technical support of the national economy and is a consistent action in carrying out the strategy of socioeconomic improvement in the republic.

By virtue of the climatic and natural conditions and the one-sided development of the economy in the regions of the country, Uzbek SSR, while possessing a considerable resource potential, has found itself under conditions of a very acute shortage of raw and other materials and equipment, that previously were shipped in from other regions of the country or were imported.

In the process of carrying out the economic reform, in the country as a whole there arose serious difficulties with regard to material-technical support that are linked with the intensification of the negative tendencies in the national economy. Essentially speaking, one observes a continuation of the breakdown of economic ties, and the development of an uncontrollable commodity-exchange

market. Payment funds (money) are almost unable to play the role of a universal equivalent; and monopolist producers are taking the path, more and more frequently, of direct extortion.

In turn, the republic's ministries, departments, and enterprises, taking what they claim to be "defensive measures," also are attempting to appropriate for themselves the right, practically speaking, to have complete control of the material resources that have been produced, thus aggravating the process of disorganization of economic ties.

As a result of the transition to the market economy and for purposes of overcoming the monopoly status of the state agencies in the sphere of commodity turnover, there has been begun in the country a reorganization of the centralized system of state regulation and monitoring of commodity movement that had developed. There has been a maximum limitation of the list of types of output that are distributed in a centralized manner, and the system of rigid assignment of suppliers to consumers is being gradually eliminated.

Under the new conditions there has been a transformation of the role played by USSR Gossnab, which is being freed of responsibility for the balancing of plans and for supporting them; and the organizing of middleman activities, with a changeover to a system of operations by contract, is becoming its chief task.

Time persistently dictates the creation of those economic and administrative structures that could effectively operate under the conditions of the currently existing commodity exchange in kind and the developing commodity market in producer goods, thus promoting the reinforcement of commodity-monetary relations.

In order to take any definite steps to protect the republic's national economy in the face of the existing facts of the lack of balance among the economic ties and the monopoly status of the suppliers, the UzSSR State-Cooperative Committee for Material-Technical Supply (UzSSR Goskoopsnab) is being organized on the base of UzSSR State Committee for Material-Technical Supply.

UzSSR Goskoopsnab will carry out on the territory of the republic the organizing of material-technical supply for branches of the national economy (with the exception of the agroindustrial complex), as well of socioeconomic and other programs, on the basis of contracts, including economic contracts, and intergovernmental agreements. In addition, the committee will form a barter fund of material-technical resources with the use of the republic's resource potential; will monitor export shipments and shipments in accordance with intergovernmental agreements; and will promote the development of economic ties between consumers and producers. In the system of UzSSR Goskoopsnab and with its assistance, it is proposed to create a network of intermediary trading companies, commercial centers, commodity exchanges and wholesale fairs, and brokerage and leasing companies.

At the first stage, prior to the achievement of a material-financial balance and the improvement of monetary circulation, the activities of the UzSSR Goskoopsnab system within the republic will be, for the most part, of a directive nature. UzSSR Goskoopsnab will purchase from the producer enterprises situated on the republic's territory, on the basis of contracts, the output intended for production-technical purposes.

UzSSR Goskoopsnab is the coordinating link between the enterprises and the regions with regard to the complete supporting of the fulfillment of interrepublic agreements and contracts. For prompt monitoring of the execution of the agreements and interrelations with other republics, the appropriate administration is being created within the UzSSR Goskoopsnab apparatus.

At the second stage there will be a complete transition of the development and placement of contracts to a competitive basis with the use of the mechanism of "open" or "closed" trade auctions in which all the potential manufacturers and consumers, including foreign ones, can participate.

A well ramified network of nondepartmental commercial enterprises will be created. Those enterprises will act as free middlemen that are capable of offering the consumers any services needed to acquire the output that they require. The lack of any assignment of consumers to the commercial enterprises that provide services to them will create conditions for the development of competition, and will promote the eroding of departmental and regional barriers and promote the transition from in-kind relations to commodity-monetary relations, and thus the creation of a single unionwide market in producer goods.

The organizing of UzSSR Goskoopsnab will help to create the conditions for organizing a producer-goods market and for stabilizing the republic's national economy and developing economic ties with other regions in conformity with the Declaration Concerning the Sovereignty of Uzbek SSR.

The implementation of measures to improve the material-technical supply of the national economy is an urgent socioeconomic task. The soviet and economic agencies and the administrators of enterprises and organizations must extend, jointly with the agencies of UzSSR Goskoopsnab, the work of reorganizing the system of material-technical supply, and of developing their stable work in a new quality.

#### **Ukrainian SUPSOV Official Pylypchuk on Political, Economic Sovereignty**

914A0569A Kiev LITERATURNIA UKRAYINA  
in Ukrainian 14 Mar 91 pp 2,5

[Interview with the Chairman of the Permanent Commission of the Supreme Soviet of the Ukrainian SSR on Economic Reform and Economic Management V.M.

Pylypchuk by LITERATURNIA UKRAYINA correspondent Volodymyr Tatarenko: "What Should Be Kept in Mind by Participants in the Referendum?"]

[Text] Without a doubt, during the last few weeks, topic "number one" in all newspapers, radio and television has been the all-Union referendum which is to take place on March 17 of this year. There have been arguments, discussions, calls and appeals, categorical declarations and painful reflections. . . a spectrum of opinions, from a fervent "Yes" to a categorical "No!" The newspapers, preparing their readers for the referendum, are printing in the columns of their front pages samples of the ballots (both the Union and the republican one), in which, depending on their political orientation, they cross out one or another word. And on February 13, PRAVDA UKRAINY published a particular set of guidelines: "Why We Need the Union: Memorandum to the Participants of the Future Referendum Regarding the Preservation of the USSR," which was prepared by "a group of economic scholars from the Council for the Study of the Productive Forces of the Ukrainian SSR at the Academy of Sciences of the Ukrainian SSR." (However, exactly which scholars belong to this group has, for some reason, remained a secret). In their conversation about the coming referendum, the LITERATURNIA UKRAYINA correspondent and the chairman of the Permanent Commission of the Supreme Soviet of the Ukrainian SSR on Economic Reform and Economic Management, V.M. Pylypchuk, distanced themselves from the conclusions of the "Memorandum."

[LITERATURNIA UKRAYINA] Volodymyr Mefodiiovych, according to the group of authors, the first, and perhaps the main, argument for the existence of the Union as a single state is that this Union "is a mighty military and political shield which safeguards the security and peace of the nations of the USSR and makes it possible to solve by peaceful methods the problems which arise among those nations."

[Pylypchuk] Without denying the great and holy liberating mission of the unity of the peoples of the Soviet Union as a military and political union during the Second World War, I would like to ask: Is it correct to speak of the military and political shield "which safeguards. . . the peace of the peoples of the USSR"? And this, particularly, at a time when in many republics blood is flowing precisely because of the efforts of this "shield" and the people who use it as a means for solving political problems. In international practice, it is considered that the use of the army and weapons in times of peace against the peaceful population is a crime.

And now, let us consider whether this shield is really so powerful and reliable when it comes to preventing external aggression. The involvement for many years in the war in Afghanistan (incidentally, not against a regular army, but against various groupings of the Mujahidin) revealed the low battle-worthiness of our army and the unsuitability of our strategy and tactics for the prevailing conditions. The history of the Second World War

seemed to have repeated itself: our state and its military leadership used the army as "cannon fodder," taking mainly by force of numbers rather than by skill. The insufficient coordination of actions between the rear support and the fighting units, and the partial or complete absence of intelligence about the location, numbers and armaments of the Mujahidin formations led to significant losses on the part of the Soviet Army. And we have not even mentioned the fact that nobody had attacked us and that thus the war in Afghanistan, according to Lenin's classification, was, on our part, unjust. The peoples of the USSR paid a high price for the lack of right to criticize and protest against the war, for their meekness in the face of the "military and political shield."

The war in the Persian Gulf region revealed three facts which cast doubt on the fact that the military and political shield safeguards the security and peace of the peoples of the USSR. First: the absence or ineffectiveness on our part of a geopolitical military doctrine—we do not know whom we are arming; do not predict how this will affect the balance of political and military powers in the world; we do not have any assurance or guarantee that our weapons will not be turned against us. Second: the level of our technology. Let us recall how many times we heard that the Soviet "Scud" missiles, fired by the Iraqi side, were going into the sea or into the desert, or were easily being destroyed by the American "Patriot" missiles. Third: it appears that the ring of antimissile air defense exists only around Moscow. And the other cities and republics, which, by the way, regularly pay for defense, do they not need to be protected? Thus, with all due respect to the defenders of the Motherland and their work, I have doubts about the "reliable shield."

[LITERATURNА UKRAYINA] The Union "safeguards a single market with no customs or currency barriers and a single monetary and banking system, which is an essential precondition for stabilization and further successful economic development," the authors of the "Memorandum" write.

[[Pylypchuk] A single market on the territory of the USSR, or, as it is now fashionable to say, a single economic space, constitutes separation from the European world market, a lack of possibility for individual republics to integrate into the international division of labor. This is what the Union strove for for 73 years—and it attained a single market of deficit.

A single currency system is possible among states with an equal level of economic development and an equal rate of development. If this requirement is not maintained in a free system, then there occurs unrestrained growth in the wealth of some states at the expense of others, which become sources of raw materials and cheap labor. (The esteemed expert authors should bear in mind what we learned in school, including in university, about the enrichment of the metropolis at the expense of the colonies). In order to prevent this from happening, the

policy of subventions is being applied, that is, a part of the national income is taken away from the more developed states and given to those with a lower rate of development. Is this not similar to the action of conglomerates, in which part of the profits from highly-profitable enterprises is taken away and given to "poor" enterprises?

The Union government is making the people of the Ukraine poorer with every passing year through its unrestrained emission of money. The Ukraine, while not lowering its rate of production (except in 1990) and productivity of work, did not permit any emission. The USSR as a whole "guaranteed" the unbacked emission of the following amounts of money: in 1988—11.5 billion rubles, in 1989—R18 billion, in 1990—R25 billion. In 1991, an emission of R50 billion is foreseen. While in 1990, the Ukraine decreased its emission by R2 billion, the USSR as a whole increased it by R25 billion; thus, emission outside the borders of the Ukraine was equivalent to R27 billion. This means that the Ukraine has not been paid for R2 billion's worth of products produced, while outside her borders, R27 billion has been overpaid for products which have not been produced. What should one do under such circumstances? Speaking at a common meeting of Commissions of the Supreme Soviet of the USSR, I suggested that the amount emitted in any given republic be regarded as a debt (with the appropriate amount of interest) to those republics, which did not permit any emission, or which withdrew money. But, unfortunately, my proposal was not accepted. Given that the USSR government is not willing to consider unbacked emissions as debt to the Ukraine, the government of the republic is left with only two possible ways to avoid a decline in the standard of living: either to permit emission in the Ukraine at the same rate as in the USSR as a whole, or to introduce its own currency. In these conditions, we have no other way to protect our market and guarantee a high living standard.

[LITERATURNА UKRAYINA] The Union "guarantees international stability, preserving the balance and preventing manifestations of aggression and separatism which potentially could arise within the territory of the Union," argues the group of economic scholars.

[[Pylypchuk] Yes, the Soviet Union is able for a certain period to increase the potential for international stability by applying thoughtout internal and external policies. There are many examples of this: the withdrawal of troops from Afghanistan, the move to allow the countries of the "socialist camp" to decide their own fates according to the will of their people—thus, the GDR joined the FRG, democratic transformations have taken place in Poland, Czechoslovakia, Bulgaria, Romania, Hungary. But unconsidered policy on the part of the leadership of the USSR can be an equally significant destabilizing factor: Hungary—1956, Cuba—1962, Czechoslovakia—1968, Afghanistan and Poland—1980. The events of the first years of restructuring and democratization turned many of the world's political activists

towards the USSR. But inconsistency in the changes and aggression towards the sovereignty-minded republics led many foreigners to reconsider, because external policy is a projection of internal policy onto external relations. And if the inside is aggressive, then, with time, this may surface to external policy as well. The political activists made known their apprehension regarding the policy of the Union leadership in the Baltic region, which showed that that the civilized world can alter its relations with the USSR, if changes within the country do not take place according to democratic norms, in line with the guarantee given by M.S. Gorbachev at the UN that the self-determination of nations is a fundamental principal from which there can be no deviation. Lithuania chose self-determination—more than 90 percent of the citizens who took part in the polling (including Poles, Russians and Ukrainians) expressed themselves in favor of independence. This is the true assessment by the citizens of Lithuania of the policy of the republican and Union leadership. So the existence of stability or tension depends on policy.

[LITERATURNIA UKRAYINA] Responding to the question: "What could be the result of a separation of the Ukraine from the USSR?" the authors of the "Memorandum" express their certainty that there would be "an explosion of conflicts among nations and religious denominations, external territorial conflicts, political instability, as well as danger of terroristic dictatorship by irresponsible extremists of a national-fascist orientation."

[Pylypchuk] Without going into a detailed history of relations among nationalities and religious denominations, we can make a generalized, logical statement: if in the USSR there are tensions among nationalities and denominations within the republics, then, probably, the national and religious policy of the Union leadership was mistaken, because tension is the result of incorrect policy, not its cause. But we should not over simplify the situation, reducing it merely to conflicts among nationalities, which makes it easier to engage in speculation and set one nation against another. The essence of the conflicts is in the battle of the old, the conservative, with the new, the democratic. For example, in the parliament of Ukraine there are 450 deputies—337 are Ukrainians. And if the battle for real sovereignty had a national color, then the question would be resolved. But the battle (or ongoing confrontation) in the parliament of the Ukraine goes along not national, but political lines. In the opposition are not only Ukrainians. The battle is about policy (and not power): what the Ukraine is to be like, her political, economic, administrative system, the structures of power, and not the specific individuals in the structures and holding power. The Ukraine is one of the few republics in which, thank God, there have so far not only been no clashes, but even no friction among

nationalities. We very often hear that the Ukraine (like other republics) cannot be sovereign because we have here a mixture of nationalities, because over one million Russians live in the Ukraine. In this respect, several questions need to be asked: Where in the world is there a state with a single-nationality population? In which of the countries of the world where emigrants from Russia and the Ukraine live is war waged between them? Does this mean that in places where Russians live, in particular in the Ukraine, state sovereignty is impossible? Even asking such questions constitutes enflaming hostilities among nationalities.

[LITERATURNIA UKRAYINA] In your view, can the Ukraine, if she introduces her own unit of currency and customs, protect her consumer market and raise the standard of living of the people?

[Pylypchuk] Let us examine the situation with regard to the production of consumer goods and salaries in the Union as a whole in comparison with the Ukraine. We will base ourselves on the following reference works: "National Economy of the Ukrainian SSR in 1989" (we will call it Source A) and "National Economy of the USSR in 1989" (Source B). We find the following: first, the average monthly wage overall in the USSR in 1989 was R240.4, and in the Ukraine—R217.7; on collective farms in the USSR it was R200.8, in the Ukraine—R184.3 (p. 78, Source B). Second, as far as the production of consumer goods (excluding alcohol): in the Ukraine, production equalled R69.2 billion (p. 5, Source A), while R66.4 billion was spent by the people of the Ukraine for their acquisition (including alcohol) (p. 79, Source A). Third, in the USSR, average per capita production of consumer goods was valued at R1310 (p. 6, Source B), and in the Ukraine, at R1330 (p. 5, Source A), that is, in the USSR overall it is lower than in the Ukraine. But with regard to per capita wages, the opposite is true: they are higher in the USSR overall—R1.94 thousand (p. 76., Source B) than in the Ukraine—R1.84 thousand (p. 78, Source A). Thus, honorable experts, according to your logic, the USSR as a whole has a more unprotected market than the Ukraine. Furthermore, not included in the expenses are payable services, dwellings built at the cost of the population, payments made into the financial-credit system, the growth of savings in savings banks.

You understand that the appraisal, done in terms of rubles, in conditions in which the center dictates the price, is not objective. Because it sets prices however it wants. Thus, the portion of national income in the gross national product of the Ukraine is 37 percent, while in the USSR as a whole, it is 42 percent. As practice has shown, the Union center sets artificially low, discriminatory prices for production purchased from the Ukraine. In order to not spout empty words, I will cite the following data (pp. 428-431 Source B).



Prices Paid for Agricultural Products(in rubles per ton)								
	Grain	Sugar Beets	Potatoes	Vegetables	Fruit and Berries	Cattle and Poultry	Milk and Milk Products	Eggs
USSR	220	58	210	255	421	2872	553	96
RSFSR	227	73	226	299	482	3049	653	100
Ukraine	191	48	167	201	403	2535	426	83

Given that purchase prices for products from the Ukraine are kept artificially low, the Ukraine's sales in rubles of agricultural products are also artificially low and do not reflect the real picture of the country's economic potential, its place or its contribution to the

Union pot. If we look at the levels of production of basic products—average production expressed in physical quantity per capita, we find that in comparison with the leading countries, the Ukraine performs quite well.

Production Per Capita of the Most Important Products (1988)						
	USSR	USA	FRG	Japan	Ukraine	Ukraine's Position Among the Listed Countries
Electric energy (kwt/hr.)	5967	11868	6986	6031	5780	5
Oil(kg.)	2185	1638	67.0	5.0	105.1	3
Gas (cu.m.)	2512	1991	296	17.0	587.8	3
Coal (high) grade,kg.)	2420	3516	3030	103	2861.2	3
Steel (kg.)	571	372	690	851	1099	1
Iron Ore (cast,kg.)	874	219	1.0	2.0	2257	1
Cement (kg.)	488	309	471	632	458	4
Grain and Legumes (kg.)	683	842	462	114	922.4	1
Sugar Beets	307	91	313	31	936.8	1
Potatoes	219	65	125	33	263	1
Meat (kg.)	69	122	97	31	85	3
Milk(kg.)	374	268	400	60	471	1
Granulated Sugar (kg.)	28.7	24	50	7	89.5	1
Butter (kg.)	6.3	2.0	6.9	0.6	8.6	1

Thus, arguments that the Ukraine produces little are unfounded. Claims that she has a negative trade balance are not scholarly, for not considered in the exchange of goods is a significant portion of production, which is produced by enterprises linked to the military-industrial complex and is not included in the reported statistics regarding the Ukraine; in addition, prices for Ukrainian production are artificially low. If we take all of these things into account, then we find that the Ukraine sells more than she buys in an amount close to R20 billion. And if we take into account the fact that the army, air force, navy, Union-wide transportation and enterprises which make products for other republics make use of supplies of gas, oil and oil products from the Ukraine, then this figure becomes significantly higher. And then we should include the debt for emission of money, the taking by the center of the hard currency earned by Ukrainian enterprises, the artificially low portion of national income in the gross national product of the Ukraine. . . Generally speaking, a state which is capable of feeding its own people will survive in any conditions, except those of colonial plunder. And that is exactly the

category of states to which the Ukraine belongs! Once we achieve sovereignty and shift to a market economy in the Ukraine, we will, with time, learn how to make well-tailored suits and fashionable shoes. . . The basis now is sovereignty. The basis is the referendum. For the first time in the history of the Ukraine, the chance has arisen to attain sovereignty by peaceful means.

[LITERATURNIA UKRAYINA] The economic scholars were asked the following question: "In their time, Finland and Poland separated from Russia, and this did not lead to any economic jolts. Can an analogy be made with modern Ukraine?"

[Pylypchuk] The Ukraine is capable of functioning within a closed system of self-sufficiency (except in the case of raw hydrocarbons), but we should not and will not close ourselves in; rather, we will integrate, and not only with Union enterprises. The plan for the Union as a federation does not include the right of republics to have their own internal and external economic policies. That is why we are against such a Union. To orient ourselves

only towards internal. Union integration is perilous, and this has been proved in practice by 70-year-long experience of this type of integration. The republics should not break internal Union links, but they should base those links on mutual benefit, and this as quickly as possible, and integrate in a broader sense into the world economy. This can be done by joining various associations of sovereign states.

These days it is often said that European states are uniting and we are coming apart. But they are integrating their efforts only in order to carry out some common function that flows out of internal needs; they are not uniting into a single state. They remain individual entities in the eyes of international law. And in this lies the fundamental difference between European union and our Union. I am for the European version of the Union of sovereign states, for it has demonstrated its effectiveness.

[LITERATURNIA UKRAYINA] "An analogy can be made with living organisms as follows: If you cut an ordinary earthworm to pieces, then each of the separate parts will regenerate what was cut off and will live, but if you cut a higher organism, it dies or is maimed. If we consider only the list of the most essential products, we find that the Ukraine obtains 600 of them from other Union republics. It is only through imports that almost all of her requirements for gas and oil are met, more than half of her requirements for wood, paper and dyes, as well as a significant portion of the requirements for semifabricated metals, pipes and metal products," the economic scholars tell us. What do you think?

[Pylypchuk] With regard to the worm, I am in complete agreement. Each one of the parts is a republic. If they are cut off—they will regenerate what they lost. The higher organism is the Union center, with its dictatorial functions and unskillful, awkward policy. It should be cut off, in order not to stand in the way, to cause suffocation. And the republics will create new union organs, which will be accountable to the republics, and rather than impose their will, will operate under the control of the republics and protect their interests.

With regard to the 600 types of products, the United States, Canada and other countries import many more products and they live well. The United States meets up to 80 percent of its requirements in oil through imports (also having some supplies of its own). As far as oil supplies in the USSR, experts project that in 1993, the Union may switch from being an exporter to an importer of oil. So in any case, we will be obliged to buy oil.

It is true that we do not have much forest—17 ares per capita here, overall in the USSR—three hectares; in the United States—0.8 hectares. But if we take a good management approach to reforestation, introducing selective cutting, being less wasteful in wood finishing, using not high-quality wood, but the products of selective cutting, for the production of press wood, then, basically, our needs for wood products can be satisfied.

With regard to metal and metal production, Ukraine produces an excess 14 million tons, which go outside her borders. We should change the types of metal production we do in the Ukraine and stop sending our products outside our borders. Unfortunately, the authors of the "Memorandum" do not mention that the Ukraine sends out locomotives, TV sets, tractors, machinery, coal, ore, oil, meat, butter, milk, eggs, cheese, potatoes, grain, sugar, steel, planes, satellites, ships and many other things considered All-Union Primary Use Production. And this is natural to the extent that division of labor should exist and it certainly does not mean that we will break internal links; on the contrary, we will extend them, but on the basis of mutual benefit.

If we continue the international comparison, then we see that such countries as Japan, Korea, and Singapore have almost no (in comparison with the Ukraine) natural resources of their own (this is also the case with China), but the rates of growth of their economies appear to us to be fantastic. This is because they have (or are introducing) rational systems of management and economies freed of ideological dogmas. And what about us? Six years of restructuring have proved to be just empty talk. And there is no end in sight. And the situation is worsening catastrophically.

[LITERATURNIA UKRAYINA] "A multinational state should be organized in such a way that no single nationality enjoys political or leadership dominance. The central organs of power and the government should be composed of representatives of all the peoples or republics which form part of the union."

[Pylypchuk] People should not be differentiated or classified according to nationality. They should be regarded in terms of intelligence, warmth of soul, understanding, industriousness.

The organs of rule should not be central—they should be commonly-run. And they should be set up on the basis of the needs of the states which are joining into the union. They should also finance themselves, control themselves and disband themselves on the basis of the needs of the republics, and not on the contrary. And this form of the Union is set out in the ballot ratified by the Supreme Soviet of the Ukraine.

The Union ballot sets forth a unitary form of the Union as a federation, as laid out in the draft Union agreement proposed by the President of the USSR. This draft foresees that the president will have the highest command-executive power and there is no stipulation that he must act within the framework of the law, with the agreement of the USSR parliament or the parliaments of the republics. It is not stated that he will carry out the will of the Federation Council or even consult it. The Federation Council has no mechanism for influencing either the president or the Supreme Soviet of the USSR with regard to legislative initiative. The role of the Federation Council is most clearly set out in Article 14,

which states that the Council guarantees the participation of the republics in the application of Union-wide programs, that is, sets out the role of the vassals, or governors-general. It is even not said that the Council protects the interests of the republics in the federation. The Union parliament and government keep the same dictatorial functions; it is not even stated that the republics have the right of free exit from the federation. And Article 23 states that the agreement can be changed or cancelled only with the consent of all states concerned. But given that the chapter of the draft agreement entitled "Fundamental Principles" states that the USSR is a state, its representatives will always have the right of veto over the desires of the republics to make any changes.

Article 5 of the draft agreement, "Powers of the Union," leaves all existing powers with the center. And there is no article entitled: "Powers of the Republics." This unequivocally demonstrates that such powers are not foreseen in the "renewed federation."

In the chapter "Organs of Rule and Government," all the Union institutions of rule are set out, but there is not even a mention of the fact that there exist Supreme Soviets of the republics. Perhaps when the Union becomes a federation, there will be no need not only for sovereignty for the republics, but even for their parliaments? So, one should think carefully before voting.

[LITERATURA UKRAYINA] The group of economic scholars is asked: "Some publications and speeches have been citing data from the Deutschebank about the readiness of the Ukraine for independent inclusion into the world market. In particular, this was published in the December, 1990, newspaper of ZELENYI SVIT. How reliable are these data?" They answer: "What is discussed here is the assessment by experts of the general level of economic development, an assessment that was given in terms of points awarded for specific things. Those experts confirm the relatively-high level of development of the economy of the Ukraine. And this is something that nobody denies. But the readiness or lack of readiness to act as an independent entity on the world market depends on the competitiveness of production, the ability to sell not less than the amount which one buys, and one's ability to transport goods. In the republic, the last condition exists, but so far, the first two are not present." What do you say to that?

[Pylypchuk] Up to now, it has generally been thought that western experts in the areas of banking and finances were not bad economists, strategists and tacticians; this is demonstrated by the state of their economies, achieved thanks to their advice. Casting doubt on their conclusions is something that probably should be done only by those economists who, through their advice, have attained in their economies even more solid results.

[LITERATURA UKRAYINA] Volodymyr Mefodiyovich, how will you, personally, vote in the referendum?

[Pylypchuk] In the Union ballot, I will cross out the word "Yes" and leave "No." In the Ukrainian ballot, I will do the opposite.

[LITERATURA UKRAYINA] Some people are advocating ignoring the referendum. How do you feel about this?

[Pylypchuk] We should not ignore the referendum or put obstacles in its way. This would be to go against mathematical logic. Let us imagine that in the Ukraine there are six million voters who will definitely leave the word "Yes" in the Union ballot. That is, they will express themselves in favor of the federation. If ONLY THEY come (and they will definitely come!), the results will be as follows: 100 percent of those who took part in the voting expressed themselves "FOR" for federation. If the referendum is not ignored, then those who oppose the federation (and it is expected that they constitute over 30 million) will come and the six million in favor of the federation, will be only close to 17 percent of the total number of voters.

#### **Bank of Estonia President on Failure of Monetary Reform**

914A0643A Tallinn RAHVA HAAL in Estonian  
9 Mar 91 p 1

[Report by Harri Treial: "How Far Along Is the Estonian Kroon?"]

[Text] **During the press conference held at the Bank of Estonia, Rein Otsason, president of the bank, elucidated briefly the situation regarding Estonian money. What has become of our own currency?**

**Rein Otsason:** "Things with our currency are proceeding along the same rough road we have had up until now. With your permission, I would like to analyze some of the obstacles placed in our way. One could say that the transition to Estonia's own currency has been a struggle between two ideologies from the very start.

"Let's recall the end of 1988, when two different IME [Self Managing Estonia] concepts were adopted—one coming from the Economics Institute of the Estonian Academy of Sciences, that called for our own currency, and the other originating from the IME Problem council that called for convertible rubles backed by the State Bank of the Soviet Union (which could also be called the monetary concept of the SU State Bank).

"A new confrontation ensued: buying coupons and our own currency. And even though the Supreme Soviet Presidium of the Republic of Estonia had decided to allocate funds to pay for the production of our currency, there was a delay in releasing these funds. This is what made us turn to the public. Repercussions were numerous, even from outside our state borders. I received calls from London and elsewhere asking me if transition to our own currency had now been abandoned. All of this caused serious difficulties with the

printing of the Estonian kroon. We had reached a unique agreement with our printing partner—the printer had agreed to give us credit for two-and-a-half years (none of the other competing printers would go along with that). The printer we chose even agreed to transport the printed money to Estonia, at its own expense. It wouldn't be superfluous to mention that this printer was not going to charge us interest on credit. Now, we have reached a point where the same partner is making claims that—due to the foregoing—it cannot trust Estonia, and wishes to review the agreement. Thus, we are facing new negotiations. Of course, the previously signed agreement is still valid for the time being. The partner has already made all the preparations for printing the money, and that is the most labor-intensive part. Even the paper has been ordered. All they have to do is start the presses.

"At the moment, however, we still don't have the answer to a very important question—when will the Estonian economy be ready to make a transition to its own currency? Would it make sense to do it under conditions of a 60-percent inflation, when we cannot regulate our economy as well as we should? Is it at all possible to start using our own money in times like these? Under current conditions, this could lead to a situation where, due to inflation, we'll have to resort to printing new money each month. Under those circumstances, nothing would be gained, yet we'd have to bear the cost of printing more money. Hence, it is crucial to pick the right time for introducing our own money. Here we come back to the same question: Is the Bank of Estonia independent from the executive power, or is it not? This was also emphasized during my recent meetings with banking specialists from other countries: the Bank of Estonia will have to become completely independent. The government cannot prescribe the issue of credit, because that could result in printing additional money. We know that the Soviet government has been operating that way for years. But we have our own banking law. However, three months ago, the Supreme Soviet of the republic made some concessions and named three representatives of the government to serve on the council of the Bank of Estonia. Thereupon I was asked if these members also have voting rights. My answer could only be affirmative. This caused great amazement among the foreign specialists. I was told outright that this should not be the case in a normally functioning bank. This could open up the possibility for the government to solve economic difficulties of its own making by simply printing additional money to cover the budgetary shortfall, something that has been going on for years in the Soviet Union, and is also practiced in Latin-American countries.

"In summary, we can say that the greatest challenge we face is finding a way to introduce our money without incurring any losses."

#### **Latvian Legislators Express Dissatisfaction With Economics Minister**

91UN1231A Riga LAUKU AVIZE in Latvian  
22 Feb 91 p 1

[Article] by Egils Licitis: "Gnashing of Teeth in Parliament"

[Text] For a few weeks now, the same gnashing of teeth that to this day can be heard in Latvia's agricultural

enterprises, could be heard in Parliament. At the request of farmer-deputies, Latvian Republic Minister of the Economy Janis Aboltins was repeatedly called to the floor of Parliament. Having heard Aboltins out, the dissatisfied farmers prepared to mow the minister down like grass just the same. Feverishly moving about the hall, the most dissatisfied farmers collected the signatures of 28 deputies for their message to the premier. In it, they unambiguously question the suitability of Aboltins for his post, and request a decision from Godmanis. Will we soon be witnesses to the first resignation of a member of the government?

Back in 1959, E. Berklavs himself "was resigned." During a break, he took a moment to recall the economic planning of the corn campaign: when the sowing of 100,000 hectares of the queen of the highways [corn] had been ordered, Latvian CP Central Committee First Secretary Kalnberzins profoundly noted, "*Latyshskiye komunisty vseгда byli v pervykh ryadakh. Davayte poseyem 200 tysyach ga* [Latvian Communists have always been in the forefront. Let us sow 200,000 hectares]!"

And what do they accuse the head of the economics ministry of?—unemployment. Agriculture, whose products have fixed prices, must decline, for suppliers of building materials and other products use free-floating prices which, as you may surmise, continuously rise. "Yes, but we are anticipating a market," says Mr. Aboltins. The deputies protest, "How can you operate toward a market if there is still a state monopoly, and you do not have private entrepreneurs, competition, or your own money?" In short, they say the minister is idle, for he is not creating a market with ALL its elements.

The most hot-blooded Aboltins "haters" conclude that they must demand concrete work from the minister, manual labor. They believe that either Mr. Aboltins does not find work to be very convenient, or else he is only able to theorize.

Incidentally, the deputies who are angry are former or current leaders of operating farms and chairmen of executive committees. The economic theoreticians appear to be neutral, while a good deal of deputies are not even interested in economic problems. Mention should also be made of the situation that has come about in which some members of Parliament believe that the government should not be on their backs so much. We will show the government that deputies are not a bunch of wet noodles after all! There is also a bit of getting even to this. Aboltins is only the first, and a few deputies maintain that there is polite interest, as it were, in the performance of Ministers Bisers and Oherins. Perhaps friction is what pushes the world on? Perhaps.

In this regard, on 13 February, Aboltins reported to the Parliament:

- growth in the volume of production only at the expense of a rise in prices
- we will be forced to use levers that are very unpopular among the people
- selfish economic egoism is characteristic of certain groups of producers.

The fact that throughout the economy things are really crappy for us is nothing new. The minister also informed us of more concrete things, as well:

Aboltins found out that "Lauktehnika," "Agrokimija," and other service entities are starting up economic quarrels by demanding unheard-of payments.

Aboltins grants that economic reform is appropriate at Latvia's leading cadre and economist level.

Aboltins sadly concluded that prices will continue to rise, and that it would be unsocialist in spirit to pass on every kopek of the price increase. We must take care of those who are socially so unprotected.

Aboltins philosophically reflected that in the market the buying power of the citizenry continues to remain unlimited, though it may not at all seem so to everyone individually.

The minister was presented with questions:

Will the government tolerate mass bankruptcies of farms?

According to the minister, the government has in mind a happy medium: those that are about to go belly up can go by the wayside; those that still have a shot will be stimulated. Supposedly, hidden behind the general threat of bankruptcies is the attempt to raise prices. Farms will have to be freed from the support of the social sector. Some of them pay up to 7-10 percent of sales. "Lauktehnika" and others attempting to dictate monopoly prices must be fought, etc.

A. Krastins, who chaired the meeting, continually opposed pressure from farmers to open the floor for debate. Once again, many were uninterested. Nevertheless, after taking a vote, the farmers got to speak. Upon returning to his seat from the podium, an irate J. Aboltins snapped, "Your mother" in what was clearly not the state language.

During the debates, A. Felss from Jekabpils maintained that in his rayon, 20-30 percent of the farms will reach the critical threshold this quarter, another third "will become casualties" in the next quarter, and by the end of the year, the shelves of the inhabitants of Jekabpils will be empty. The deputy took a jab at Aboltins by saying that under such conditions, he for one would take the position of an "economic egotist," for the farmers would not nearly be able to cover their losses in the market.

More cutting was Deputy V.E. Bريس, chairman of the Agrarian Union of Latvia. He wondered whether it was

out of apathy that ministries and administrations try to silence the Parliament with, "Everything will be all right." According to Bريس, there is a shortage of concrete information, so we get some sort of scientific treatise. Bريس believes that we stand at the brink of another wave of inflation: "Now chairmen are rebelling—you may call them whatever you like, but they see and realistically assess the situation. And the rebellion will be joined by former kolkhoz workers and farmers, who will have to start working on completely unprepared economic soil." Bريس criticized the strengthening of government monopoly, characterizing it as the unwillingness of the state apparatus to release power from its hands.

Finally, apparently not wishing for his minister to be slaughtered like a scapegoat, the premier himself came to Parliament. And indeed, Godmanis still has influence in the Supreme Soviet—you could hear a pin drop as the deputies listened to the government's position. Among other things, Godmanis remarked that this year will still be such that whoever sowed will also have to harvest, lest there be a breakdown. This means that the new farmers will only go out into their fields in 1992. Apparently, the premier knows when it is realistic to begin. Nevertheless, the government is criticized most for not having created a stratum of small-holders—namely, those very same farmers. Isn't it possible to hurry the farmers and have them sow their own land already this spring?

In closing, as far as the gnashing of teeth goes, one has to admit that Aboltins was innocent. Other ministers, too, should have borne crosses, plus ... the yet-to-be-appointed deputy premier for agriculture. Now sirs, by no means do I intend to sing praise to the efforts of the deputies in this matter. It is oppressively hot in the fields, and the problem is understood by some few dozen deputies. At this time we could "tie the hands of Aboltins," or else not do so (I see no point in making the government waste time), but it is a good thing that the "economic egotists" (Felss, Kide, Lucans, Grube, Ziedins, Krugalaus, Bريس, and others) have brought the matter to light.

## INTERREGIONAL, FOREIGN TRADE

### Proclaiming Narva a Free Enterprise Zone Arouses Protests

914A0641A Tallinn PAEVALEHT in Estonian, 27 Feb 91 p 3

[Article by the Press Committee, Council of Estonia: "Proclaiming Narva a Free Enterprise Zone Arouses Protests"]

[Text] On November 10, 1990, the Press Committee of the Council of Estonia published in the newspaper

EDASI the item "Savisaar is Ready to Give Up Narva." The item was based on an interview given by Savisaar to the Toronto-based newspaper VABA ESTLANE. At that time the Prime Minister denied the allegation, stating that his words had been incorrectly interpreted. Now, however, Savisaar has signed a government decree which opens the way for separating not only Narva, but also the entire northeast section of Estonia from the rest of Estonia. Illar Hallast, a member of the Executive Committee of the Council of Estonia and a delegate to the Supreme Council, comments:

"Recently we learned about the Estonian Government Decree Number 35, dated February 18, 1991, 'Preliminary Work for Granting Preferences for Foreign Commercial Activities to Enterprises and Organizations Within the City of Narva, and the Establishment of the Narva Free Enterprise Zone.' The decree came as a big surprise because it was adopted behind the backs of colleagues and coworkers. On February 20, Mr. Ruutel stated in the consultative committee that he has heard of the decree, but has not seen its text. Mr. Lippmaa also affirmed that Decree Number 35 was adopted without adequate discussion within the cabinet. Such behavior by the head of the cabinet cannot be accepted.

"Even worse is the substance of the decree. As is known, the creation of the Leningrad Free Enterprise Zone is being planned. The Estonian government now intends to create an analogous region, which, in all probability, will join with Leningrad. The government has budgeted funds for developing the implementation of projects. The plan calls for granting major preferences to enterprises in Narva, special privileges to foreign companies, etc. All this means the separation of Narva from the territory of the Republic of Estonia, which will be accompanied by great economic, political, and ethical problems. Free enterprise zones are traditionally separated from other territories, wages there are paid in hard currency, and living standards are higher than in other areas. Compared to the enterprises in Narva, enterprises elsewhere in Estonia where Estonians work will be worse off. Nor will the city of Kohtla-Jareve be satisfied. Giving Kohtla-Jareve similar privileges, would turn this action into the opening act for separating northeast Estonia from the rest of our homeland. Estonia is too

small for independent free enterprise zones. Decree Number 35 is in direct conflict with the second paragraph of the constitution of the Republic of Estonia, which states that Estonian territory constitutes an inseparable entity. I hope that the Supreme Council develops a clear position on this issue."

It is planned to assess all aspects of the principles on which the actions of E. Savisaar's government are based at the fourth session of the Congress of Estonia on March 16.

## PRICES, BUDGET, FINANCES

### Economist on Republic Contributions to Union Budget

914A0626A Moscow SOYUZ in Russian No 2, Jan 91 p 9

[Article by Lev Goldenberg, chief of the USSR State Committee for Statistics Department of Intersectoral Balances of the Administration for Statistics of Macroeconomic Indicators, Finances, and Prices: "A Legend of 70 Billion"]

[Text] It was noted with alarm at the Fourth Congress of USSR People's Deputies that no agreement has been reached concerning the distribution of revenues between the center and the republics in 1991, primarily between the center and the Russian Federation, which believes that everything generated in the territory of the republic belongs to it.

Undoubtedly, at present the Union budget should be formed by means of funds transferred by the republics for the exercise of powers which they have delegated. To determine the contribution of every republic to the budget of the Union, it is logical to proceed from the amount of its gross national product or national income, which, in principle, equalizes conditions at the outset of switching to a market economy. The following table contains data on the share of the Union republics in the USSR on a number of indicators, which may be used as a basis for reflecting on the establishment of a "scale of contributions" to the Union budget.

Shares of Union Republics in the USSR, Percent

	In national income produced	Out of which in surplus product	In gross national product	In number of population	In size of populace employed in the production sphere
USSR	100	100	100	100	100
RSFSR	61.3	64.9	60.9	51.4	53.3
Ukrainian SSR	16.2	15.3	16.2	18.0	18.6
Belorussian SSR	4.2	4.5	4.0	3.6	3.9
Uzbek SSR	3.2	2.3	3.4	7.0	5.6
Kazakh SSR	4.2	2.9	4.5	5.8	5.3
Georgian SSR	1.5	1.5	1.7	1.9	1.9
Azerbaijan SSR	1.7	1.8	1.7	2.5	2.0

Shares of Union Republics in the USSR, Percent (Continued)

	In national income produced	Out of which in surplus product	In gross national product	In number of population	In size of populace employed in the production sphere
Lithuanian SSR	1.4	1.2	1.4	1.3	1.4
SSR Moldova	1.3	1.2	1.2	1.5	1.6
Latvian SSR	1.1	1.1	1.1	0.9	1.0
Kirghiz SSR	0.8	0.5	0.8	1.5	1.3
Tajik SSR	0.7	0.6	0.8	1.8	1.4
Armenian SSR	1.0	1.0	0.9	1.1	1.1
Turkmen SSR	0.7	0.6	0.7	1.2	1.1
Estonian SSR	0.7	0.6	0.7	0.5	0.6

The table suggests that it is advantageous for the RSFSR, Belorussia, Lithuania, Latvia, and Estonia to make contributions to the Union budget based on the size of the population or the number of those employed in the sphere of material production, and for others—based on the gross national product or national income.

Apparently, the share of the Union republics in the Union in terms of the indicator of surplus product as a share of the national income, which includes categories such as profits, turnover tax less subsidies, proceeds from foreign trade, withholdings for social security, and some others, correlates the best with a substantiated "scale of contributions." It is precisely from here that the revenue side of the budgets draws its resources.

In 1990, the RSFSR contributed to the Union budget 142.4 billion rubles [R] (119 + 23.4) and its planned revenue side amounted to approximately R236 billion (the actual volume has not been published yet); the share of the republic in contributions came to approximately 60 percent. This corresponds well with the share of Russia in the generation of national income and gross national product. Given this, how are we to understand the words of the Russian leader B.N. Yeltsin: "R70 billion annually are siphoned away from the budget of Russia to God knows where, whereas the republic has more than enough of impoverished strata of the population lacking financial support." I would like to make two observations before going on to the version by the above author "concerning R70 billion."

**First.** Those who believe that in the case of the RSFSR prices are set too low for fuel and raw-material types of products (oil, gas, timber, and some other products) compared to world market prices are indeed right. However, if we include in our analysis an indicator of the price factor such as a profit margin (in this case, the ratio of the surplus product to the self-cost of the social product) it will turn out that its level in the RSFSR (29.85 percent) is the second highest in the country, and exceeds that for the Union (26.84 percent). This is why a version concerning unfair prices for Russian products compared to those that have evolved for the products of other republics is not borne out.

**Second.** Undoubtedly, the Russian Federation contributes to the Union budget large amounts of revenues. However, how significant are they when compared to the republic and local budget, for example, per capita? In 1989, there were R931 in revenues within the budget per inhabitant of the republic. This is the seventh result among other Union republics. However, it is five percent higher than the per capita amount of revenues within republic and local budgets on the average in the Union.

Now about "the R70 billion" which are supposedly siphoned away from the budget of Russia. I will venture a supposition that at issue is the difference in the results of shipping products in and shipping products out which are calculated, on the one hand, in domestic USSR prices, and on the other hand, in foreign-trade prices. In general, data on the in-shipment and out-shipment of products in intersectoral balances are determined on the basis of domestic prices in effect in the USSR. The imperfections and disproportions in these prices affect the correlation of these indicators. The profit margins on various products differ. In other cases, for example, the turnover tax on consumer goods manufactured with agricultural raw materials might be collected through the prices of manufactured goods in the republics which perform final operations, whereas republics producing raw materials also participate in creating them. The following situation has also occurred: some republics subsidize the manufactured products whereas others use them at prices which do not take into account budgetary subsidies. Therefore, if the turnover tax is distributed over the territory of the country proportionate to the input of labor of all Union republics creating the products taxed (cotton and woolen fabrics, knitted goods, wine, tobacco, and refinery products), as well as the payment of subsidies by the republics using subsidized products (meat and dairy products, sugar, canned fruit and vegetables, fish, cotton, and so on), it turns out that the balance of in-shipment and out-shipment of products for the RSFSR will deteriorate by R8.5 billion for the 1988 conditions. This means that this is precisely the amount of monetary resources Russia should transfer to other republics by virtue of the turnover tax and subsidies.

Calculations of the in-shipment and out-shipment of products in world-market prices were performed in order to analyze prices. For the RSFSR, the overall balance of in-shipment and out-shipment of products, which includes both interrepublic trade in domestic products and foreign-trade operations, amounted to "minus" R28.8 billion in domestic USSR prices (in-shipment exceeded outshipment), whereas in world-market prices it was "plus" 41.2 billion foreign-exchange (I stress, foreign-exchange) rubles (out-shipment exceeded in-shipment). Some economists determined the difference between these indicators algebraically ( $41.2 - (-28.8)$ ), thus arriving at R70 billion. This number began to make the rounds.

There was only one objective for the calculation of two appraisals of the same set of products: to compare domestic and foreign-trade prices with regard to the exchange of goods. These calculations are of a purely abstract nature, they are of the "what if" variety. This does not happen in reality, and hardly will in the immediate future. Even if the need has become acute for increasing domestic prices for fuel, raw materials, and energy carriers (and this actually occurred effective 1 January 1991), it is impossible to reduce prices for meat, milk, and other subsidized foodstuffs and light-industry products" in keeping with the world standard." Not all of the prices of the world market may be transplanted to the environment of the USSR national economy, especially prices for the types of products which are manufactured from expensive agricultural raw materials. There is one more rule "chiseled in stone": an increase in prices for the fuel and raw-material types of products brings about a chain reaction of increasing prices for products along the entire string of technological connection in the national economy, including prices for consumer products. Thus, if we took into account a "comprehensive" price increase which the government proposed to the USSR Supreme Soviet in May 1990, the overall balance of trade in goods for the RSFSR would even deteriorate by several billion rubles, whereas the interrepublic balance would improve by just R1 billion, despite prices for oil and gas approximating world prices. What kind of R70 billion "siphoned away" from Russia is there?

### Price Increase Impact on Lithuania

#### Foodstuff Prices Affected

914A0624A Vilnius EKHO LITVY in Russian  
27 Mar 91 p 2

[Official publications of the republic government]

[Text]

#### Decree of the Government of the Lithuanian Republic: "On Retail Prices of Food Products"

Because of the increased costs of material and technical resources and the higher procurement prices of agricultural products, and for purposes of protecting the

market, the government of the Lithuanian Republic decrees:

1. Beginning 26 March 1991, to raise retail prices of food products an average of 2.8-fold with the application of a partial subsidy for the production of meat and meat products, milk and dairy products, and bread, and with compensation to the population for the additional expenses under the established policy.

2. To instruct the Ministry of Economics:

2.1. in conjunction with the Ministry of Agriculture, the Ministry of Trade, and the Ministry of Finance, to establish for all kinds of enterprises state retail prices for food products, trade discounts, and discounts for their delivery in keeping with Appendix N 1;

2.2. in keeping with the established procedure, to coordinate food product prices indicated in Appendix N 2;

3. To establish that food products and industrial products of the food industry whose prices are not subject to state regulation, beginning 26 March 1991, are to be sold at revised prices according to the policy established by the Ministry of Economics and the Ministry of Finance.

4. To establish that food commodities brought in from the republics of the USSR are to be sold on the domestic market of the Lithuanian Republic at the purchase prices. These goods, if they are acquired at contractual prices which do not include trade discounts, are sold at the purchase prices with a markup in the amount of a trade discount not exceeding 20 percent (including the wholesale rate for the delivery of the goods established with the agreement of the trade organizations).

5. To instruct the Ministry of Finance, in conjunction with the Ministry of Agriculture and the Bank of Lithuania, to establish a procedure for allotting subsidies for the production of the food products indicated in Point 1.

6. To instruct the Ministry of Trade:

6.1. in conjunction with the Ministry of Finance and the Ministry of Economics, to immediately establish a procedure for reevaluation, beginning 26 March 1991, of the residuals of food products remaining at trade and public catering enterprises and to organize their reevaluation;

6.2. to develop and implement a policy for selling to the population food products for whose production a subsidy will be allotted.

7. Enterprises and organizations are to take measures for reducing food costs for workers in dining rooms and cafeterias, using their own funds for this.



To establish that the markup in the dining rooms and cafeterias of enterprises and organizations should not be more than 10 percent of the turnover in the new retail (contractual) prices (except for alcoholic beverages).

*[Signed] Prime Minister of the Lithuanian Republic G. Vagnorius, Vilnius, 21 March 1991*

\*\*\*

**Appendix N 1 to the decree of the government of the Lithuanian Republic of 21 March 1991**

**List of Food Products, Whose State Retail Prices and Trade Discounts and Also Discounts for Their Delivery for all Kinds of Enterprises Are Established by the Ministry of Economics**

Flour, cereal, macaroni, bread, baguettes, and sandwich rolls

Meat (beef, pork, poultry), pork fat

Milk

Sugar

Alcohol, vodka, liqueurs, tobacco and tobacco items.

*[Signed] First deputy leader of the apparatus of the government of the Lithuanian Republic K. Cilinskas*

\*\*\*

**Appendix N 2 to the decree of the government of the Lithuanian Republic of 21 March 1991.**

**Food Products for Whose Prices Limits Are Declared or Established**

Semimanufactured meat products, sausage, wieners, pork sausage, semismoked and smoked sausage and items made from it, industrial culinary items, Russian ravioli, offal, and meat preserves.

Products made of whole milk (except milk), butter, fermented cheeses, preserved dairy products, dehydrated milk with fat, dehydrated cream

Potatoes

Sunflower oil

Eggs

Salt

Champagne, wine, beer

Soap

*[Signed] First deputy leader of the apparatus of the government of the Lithuanian Republic K. Cilinskas*

\*\*\*

**Instructions of the Government of the Lithuanian Republic**

1. To instruct the Ministry of Economics, in conjunction with the Ministry of Trade and the Ministry of Finance, to establish, beginning 26 March 1991, new retail prices, trade discounts, and delivery discounts for vodka and liqueurs manufactured by all enterprises of the republic, and also markups on them for public catering enterprises, with an increase of retail prices for vodka and liqueurs (with the exception of bitter liqueurs—Tsitrina, Dar po vena, Tryayos dyavinyares, and Stumbrine):

1.1. by 30 percent—for Nauyoyi, Letuvishka skaydrioyi, and Rusishka vodkas; the bitter liqueurs Letuvishka kristaline and Myadzhetoyu; the semisweet liqueurs Sodzhys, Myadaus shvyantine, Vilnyaus, and Zhara; the dessert liqueurs Kavos, Moka, Vilnyale, and Galve; Tris apelsinay cocktail; Obuolyu punch; and Brashkyu fruit liquor;

1.2. by 60 percent—for all other kinds of vodka, liqueurs, and drinking alcohol.

2. To instruct the Ministry of Finance to establish the amounts of excise taxes for the aforementioned goods.

3. To declare invalid as of 26 March 1991 point 1 of the instructions of the government of the Lithuanian Republic of 14 February 1991 N 57r regarding retail prices for vodka and liqueurs.

*[Signed] Prime Minister of the Lithuanian Republic G. Vagnorius, Vilnius, 22 March 1991*

\*\*\*

In connection with the price increases for food products, the Lithuanian Republic Government, with decree N 101 of 22 March, made it incumbent on leaders of state enterprises and state-joint stock enterprises, using their own funds, beginning 26 March, to reduce the cost of food for workers in dining rooms and cafeterias of enterprises by no less than 50 percent.

By instructions N 162r of 22 March, the government of the Lithuanian Republic made it incumbent on city and rayon administrations and the Ministry of Culture and Education, beginning 26 March 1991, to allot from the budget funds of self-administrations subsidies for food for students in general educational schools—one ruble per day for each student.

By instructions No 163r of 22 March, the Ministry of Trade and the Ministry of Agriculture were ordered, beginning 25 March 1991, to deliver less expensive meat and semimanufactured meat products to workers' dining rooms.

**Prime Minister Comments**

*914A0624B Vilnius EKHO LITVY in Russian  
27 Mar 91 p 2*

[ELTA article: "Not To React to Provocation"]

[Text] Lithuanian Republic Prime Minister Gediminas Vagnorius on 25 March met with a group of journalists

and, at their request, answered questions concerning the introduction of new prices for foodstuffs beginning on 26 March of this year.

The prime minister emphasized that the earmarked price increase is a step the Lithuanian Government was forced to take in order to protect the domestic market and the interests of the population, which was predetermined by the fact that the Soviet Union has raised the prices of the material resources necessary for their production. This time the prices of food products will increase by approximately 30 percent less than they did at the beginning of January of this year. People in Lithuania knew beforehand of the forthcoming price increase—the compensation was paid a month before the prices rose. Beginning in April the payment will be in the form of higher wages. Still the government is concerned about making sure that an additional ruble will be paid each day for feeding school children, and another 10 million rubles [R] have been allotted for student stipends and compensations paid to students. In dining rooms and cafeterias of state enterprises the people will pay only half price for food. And bread will continue to increase in price for some time to come.

Because of the higher prices of food products, the prime minister said, this year about R4 billion have been allotted to cover the compensations paid and other expenses related to this. This is indeed a large sum for the Lithuanian state. At the same time the state is taking the necessary measures to assist the rural population in order to encourage increased output of agricultural products and their sale to the state. Through the new, higher procurement prices for these products, the rural areas will receive about R1 billion more. But we must understand that the land the farms use is state property, and while materially supporting them, there is still no market, and the state has the right to demand that some of the products be sold to the state itself. The prime minister warned that one must not fail to take state interests into account and that if they were not taken into account the measures of economic and legal influence within its competence would be used.

The prime minister noted that since they are concerned about guarantees for the people of Lithuania, they also intend to provide material assistance to the families of military servicemen serving in the republic. Our position on this issue is known to the local military leadership. In spite of this, as the prime minister informed us, we have information that, because of the price increases, forces hostile to Lithuanian independence are again preparing to destabilize the situation. Therefore we must be prepared for all unexpected occurrences and not react to provocation.

#### **Price Department Head Interviewed**

914A0624C Vilnius EKHO LITVY in Russian  
21 Mar 91 p 3

[Interview with R. Staskunas, director of the Lithuanian Republic Department of Prices, and A. Misevicius,

deputy minister of social protection, by N. Zdanovich: "Everything Must Be Paid For—Say Representatives of Various Departments"]

[Text] **The grim situation in the economy and the difficulties related to it—higher prices and taxes, on the one hand, and compensations and social stipends which do not inspire confidence in the future, on the other—have noticeably crowded political passions out of the group of issues that bother the public most. Everyone has too real an understanding of the ever growing difference between our needs and our capabilities.**

**Our correspondent addressed questions to director of the Department of Prices of the Lithuanian Republic R. Staskunas and deputy minister of social protection A. Misevicius. Initially it was thought that these interviews would reflect the positions of departments that are almost diametrically opposed, like two banks along the edges of the future social stream: the one side thinks about profit for the state (and where can they get it if not from us?), while the other is called upon to protect our interests from the ever growing appetites of the treasury. But the readers are not likely to perceive today's speakers as antagonists. But judge for yourselves.**

**R. Staskunas:** In our department new prices are being developed and proposals for revising them are being prepared for submission to the government. The Law on Prices, adopted in July 1990, clearly determines the principles of price setting, envisioning two kinds of prices: fixed, which are strictly regulated by the state, and free. But the political and economic situation in the republic is forcing us to change our strategy. Moreover, the crisis situation in the Union, to which we are closely linked economically, could not but have an effect on our position as well. Wholesale prices for oil have increased 2.3-fold, gas—2.1-fold, coal—2.7-fold, electric energy—2.2-fold, and so forth. Prices have also increased for raw material, which the republic receives through centralized deliveries—on average, 1.7 to 2-fold. But 70 percent of the raw material is paid for at contractual prices, that is, approximately four times higher than before.

The price reform is an objective necessity. But in January it suffered a defeat in our republic because at that time not all of the necessary conditions for it had been met: without a law on privatization and without new agreements with the USSR and other republics, as well as other necessary conditions, the reform was suspended in air and caused only aggravation because of its apparent inconsistency.

In order not to cause more appreciable fluctuations in prices, we decided simply to recalculate them. What does this mean? We prohibited the enterprises from arbitrarily raising the prices of their products. The new prices include only the increased costs of material and energy resources, new normatives for social insurance, new norms for amortization deductions, as well as an increase in the average earnings per one worker of R105 (taking compensations into account). Of course, this

principle does not contribute to the growth of the profit of the enterprises and is aimed at merely keeping them alive. But the main task now is to survive. This situation can go on for two or three months until, I repeat, the objective preconditions for conducting price reforms have ripened.

The price level we anticipate in the near future is merely a correction of the prices and by no means a reform. Incidentally, it is very close to the Union level. It is expected that meat prices will rise by a factor of 3.2, milk and dairy products—2.5, bread and bakery products—3.2, sugar—2.6, and cereals, flour, and macaroni items—3.3.

When will this happen? We are not in much of a hurry.

**A. Misevicius:** An entire complex of measures for social protection is being taken in connection with the steady rise of prices for food and the necessary industrial goods. Acting in keeping with government laws and decrees, we are trying to provide income guarantees for the population. We are speaking about social stipends per one family member in underprivileged families and indexation of incomes for workers as well as the payment of compensations.

Not everyone understands that there is no justification for the desire to obtain compensation for children and representatives of other segments of the population. It is assumed that children must be supported by their parents and are affected by their earnings. Now some of the earnings are being devalued and compensation is being made for that, but the parents still must base their expectations on their own earnings. Any other approach, in my view, demoralizes the working part of the society, for the principle of social protection is also a principle of self-responsibility. A person must participate in his own incomes and expenditures and not count on handouts.

But, nonetheless, we really do have quite a few people who cannot cope with the new prices. For them there is, for example, a network of stores where items are sold at low state prices from a particular assortment corresponding to these prices.

We are very favorable to the idea of extensive credit for the population but we do not have the goods yet; it is too early to talk about this. So far we are preparing only a draft decree on credit for students during the period of their study.

We are faced with serious problems. We hope that during the next year or year and a half we can bring the earnings of workers of budget organizations close to earnings in the economy. This can be achieved, in particular, by optimizing the composition of the institutions. We are trying to convince the society of the expediency of paying one percent of their earnings into a social security account—this would be a real indication of reasonable use of income. In general, this is a large problem—convincing people that everything must be paid for. The problem is that this can be done in

concealed—through prices, taxes, and so forth—or open form. I think it is more honest to be open.

But our immediate task is to provide for putting the compensation mechanism into action so that the standard of living does not drop too low.

#### **Latvian Department of Prices Chief on Price Hikes**

914A0625A Riga SOVETSKAYA LATVIYA in Russian  
26 Mar 91 p 2

[Report on interview with V. Gusev, head of the Latvian Ministry of Economics Department of Prices, by Ye. Zarutskaya: "Your Prices, Our Money: Reflections on an Empty Wallet"]

[Text] All is quiet in the Department of Prices of the Latvian Ministry of Economics. At least that is the impression one gets from the department head, Mr. V. Gusev. It feels a little strange to find oneself on this island of calm and confidence after the storm of readers' questions, bewilderment, and anxieties that rolled over the editorial offices in connection with the publication of the USSR president's decree on retail price reform and social protection of the population. "Will things here be the same as there, or are we going to ignore this decree, too?"—this was the essence of the majority of questions the newspaper received.

And now V.A. Gusev says that all our worries are unnecessary and unfounded, since the "measures written there (in the Union documents) are immaterial and do not differ from those the republic has implemented since the beginning of this year." In other words, we have already been carrying out this presidential decree since 2 January; it is the president who was late publishing it.

"Now," says the Department of Prices director, slightly contradicting himself, "we receive Union price lists, look them over, compare them with ours, and wherever their price level is higher we will introduce it here."

[Zarutskaya] That is, we will raise prices?

[Gusev] No, we will introduce them. Prices were raised by the decision of the Union government; we are forced to introduce them.

[Zarutskaya] What about those that are lower than the republic ones? Are we forced to introduce them?

[Gusev] Those will stay at our level, the same as of 2 January. [end Gusev]

What can one say? One can repeat the wording of the presidential decree: "Republic and local organs are to repeal all prices established by them that exceed the maximum level of state retail price lists approved in connection with this decree." Or one may save the effort, because...

"We are not going to change the prices introduced in January," Mr. Gusev said again. "They liquidate subsidies to enterprises in processing industries. In the Union, subsidies are still in force; we do not have the money for this."

Of course, where would one get the money when, according to one deputy, Latvia can already claim a place in the Guinness Book of Records for its per capita number of bureaucrats. The amounts allocated to maintain the apparatus of power and administration grew from 22.992 million rubles [R] last year to R223.794 million this year. The departments are growing so fast and to such an extent that soon, it seems, the whole population of the republic will not be enough to fill the slots in their apparatus. The customs department alone will swallow R10 million this year; hopefully, God save us, it will be no more useful than last year.

So, prices will go up on sugar, vegetable oil, tea, and who knows what else in those thick binders of price lists the department is studying now. This means that hundreds of food items will automatically become more expensive—as already provoked by the January list. The price of fish and canned fish will go up "because we mostly import them. If we establish a different procedure, there will be discrepancies."

Of course there should not be any discrepancies... wherever there is a potential loss to the treasury. In those cases, however, where the losses are strictly on the side of the population—for instance, in the prices of meat, butter, eggs, and products made of them—one may overlook the difference. Or use the excuse that the republic has much higher social expenditures "because we have more per capita pensioners than the average for the country. We have to support them." A never-failing trick. Who would dare to take bread away from the elderly? With that, however, some simple arithmetic is forgotten—according to the Union agreement the pensioner gets R65, but in the republic only R45; by buying meat and sausage for R3, R4, or R5 more than in the Union the elderly will lose more than they will receive from the social programs that exist so far only on paper; and after the January price increase the consumption of bread in Latvia went up sharply, which means that the nutritional structure has been tilted—a fact that will hardly be beneficial for the health of the people so beloved by their government.

Who said that figures are a stubborn thing? On the contrary. It all depends on the skill with which you place them. One can say, for instance, that the prices of cigarettes and vodka have not gone up, and the reason people have to pay more is because of the excise tax. This makes it much easier to pull money out of the wallet, does it not? It is not easy to understand where the money from the tax goes, but it is clear that producer enterprises do not get any of it to use for material incentives in their work. Therefore we not only pay twice as much, but we have to run around three times as hard in search of these "same price" goods. By the way, since their prices—as

we are being assured—remained the same, "we will probably have to introduce the Union level." But the excise tax will stay. And the five-percent presidential tax which was quickly, without a word of protest, introduced in the republic. Some decrees do get complied with.

One can play with numbers any way one wants. Especially in the sales of nonfood consumer goods, where the problem of social protection is still not a matter of life and death. That is probably why the agreed-on prices (where it is totally beyond understanding who agrees with whom on what and to whose pleasure) almost squeezed out the state ones. Should the republic decide that it "has to introduce the Union level," it would become quite a puzzle as to where to start now: the Union "ceilings" are clearly lower than the prices of clothing, shoes, and other consumer goods that are currently in force.

"This is not quite true," explains Mr. Gusev. "I think that many goods are simply being held back and are not being shipped to the stores in anticipation of the price increase."

Can you imagine the bounty awaiting us? Hopefully, it will not be spoiled by moths or mildew, since, judging by our store shelves, the goods are already being held back for about five years. These reserves can come in very handy: if Latvia refuses to contribute its share into the Union social support fund, industrially underdeveloped republics that specialize in production of raw materials will be forced, according to the press, to revise prices for raw materials in existing contracts.

"The only result will be that the final product from us will also go to them for prices that will be 10 times higher. One cannot dress in raw materials," the director of the price department quite logically deduces.

What he does not say, however, is that as a result of the Union-republic tug-of-war, republic citizens will get R1,500 coats and calico dresses for the price of brocade ones. And what can one do if the republic does not have the money to pay into the Union kitty of the price reform, as our prime minister maintains? Let us tighten our belts, citizens of Latvia, and together carry the burden of transition to the new life: glue old shoes, mend pants, and put more bread into the meatloaf. Meanwhile our elected officials will be searching for ways out of the streak of difficulties and poverty. Some are already working hard on it. For instance, at the end of last year Latvian Supreme Soviet Deputies A. Kirsteins and M. Budovskis went on a two-day business trip to Finland (in search of solutions) which cost R12,000 (in exchange for currency). On the whole, the deputy corps and the apparatus of the Supreme Soviet Presidium have spent more than R95,000 on foreign trips. How is this related to the price reform? The same as the 200-gram can of orange juice that is now widely offered to us at R11 without even a pang of conscience. In both cases, hard currency is being spent, and both are a manifestation of how much we are cared for.

Unfortunately, we were unable to find out in our conversation with the department director whether the same care will be shown towards monetary compensation and our deposits in savings banks. This is under the jurisdiction of other departments, V. Gusev told us. It is a pity, though, that the same leaders who react so quickly, calmly, and confidently when it comes to taking money from the population become so slow when it comes to telling us about the accompanying measures of social protection.

### Latvian Monetary Reform Viewed

914A0637A Riga LATVIJAS JAUNATNE in Latvian  
7-9 Mar 91 p 2

[Interview with Latvian governmental advisor Aigars Plotkans by Vikija Valdmāne: "Gradualism Inappropriate Here"]

[Text] "If only I had the money..." We do not have our own money, but we would like to. Aigars Plotkans, advisor to the government administration, tells us how realistic it would be to hope for this:

[Plotkans] First of all, it was important to find someone to print the new money. At this time, there are three potential candidates for this—there is a certain Dutch company, there is an American one, and proposals have also been submitted by the English. The Estonian national currency—the kroon—was printed in America. This would be advantageous for us, too, for the Americans are willing to reduce the price somewhat. If we could settle accounts using lumber, then it would take two years to pay, and we would lose about five percent of what is annually harvested from our forests. Finding a printer was the first phase of preparations for monetary reform. Then we realized that during the transition period, no other reform could be carried out. If at this time we were to introduce "white money," that would be one reform. It is entirely possible that the Soviet Union will do something with the ruble—in other words, a second reform. The transition to the lat would be the third. To undergo three reforms is realistic enough, but each is inevitably associated with complicated technical, economic, and moral problems. We rejected thoughts of gradualism, and decided that the lat must be introduced suddenly. The money could be printed by 1 Jan 1992, but no one can predict the course of events, what relations with the USSR will be like, or what the economic system of the Republic will be like. There is no rational foundation on which to base prediction or planning. We acquainted ourselves with both Estonian proposals for the organization of their national currency—one by the Estonian government, the other by the Bank of Estonia. The government proposal was worked out by Bo Krag, vice president of Sweden's "Svenska Handelsbanken." He is consultant to the prime minister of Estonia on matters of currency planning. Bo Krag's main point is that there would definitely have to be a transition period along the way to an Estonian kroon, but that during this time, no measures must be taken

toward stabilization of the ruble. A monetary reform committee will be created in Estonia, and will consist of the president of the State Bank, the prime minister, and an independent specialist—perhaps a Swedish scholar of Estonian descent. The committee will have sweeping powers for making decisions on monetary reform. But it must operate in complete secrecy so that only three people know when the reform will be initiated.

There are two options for the course of reform—it may take place either in consonance with the USSR, or independently of the Union. The goal of the government proposal is to have privatization take place on a mass scale following introduction of the kroon.

The proposal offered by the Bank of Estonia is much more detailed. This proposal emphasizes social protection of the populace. At the same time, however, it permits the possibility of privatization taking place before the introduction of a national currency.

In Latvia, in addition to the lat proposal, there are two more officially recognized views. One is the "white money" proposal. This idea was born in Moscow a few years ago. The essence of it is the introduction of a currency substitute (no need to fear the word), or certificates. The authors of this proposal do not deny that in the end, the outcome would be the lat. Such money is actually an article of wartime or economic crisis. This proposal has many shortcomings. Savings banks are technologically unprepared for the introduction of "white money." An entire computer network would be necessary. First of all, a normal banking system would have to be created; only then could we start thinking about frills. Nor is it clear that "white money" will stimulate producers. Industries producing foodstuffs would have the advantage, for they would receive payments directly in "white money."

The other proposal is that of electronic money, which would entail the introduction of account-settling lats. This would be non-cash accounting rather than real money.

[Valdmāne] What is to be done if the USSR should introduce another monetary reform?

[Plotkans] We must start printing our own money sooner; otherwise, we may miss the right moment. But printing it requires at least a year. Like the government of Estonia, the only thing we can do is predict the latest date by which reform must be implemented. That could be 31 Dec 1993.

Like the Estonians, we could create a monetary reform committee composed of the bank president, the prime minister, and an independent specialist.

We want to create money that has value. Right now, producers don't want rubles, for the ruble has no value. The lat will give producers the incentive to work.

## INDUSTRIAL DEVELOPMENT

**Estonian Trade Alliance Formed; Interview with J. Kraft***914A0642A Tallinn RAHVA HAAL in Estonian  
9 Mar 91*

[Interview with Juri Kraft, Council Chairman of the Central Alliance of Estonian Corporate Entities, by Ants Kaasik: "J. Kraft: 'Political Struggle Should Not Be Carried Over Into the Economy'"]

[Text]

[Kaasik] The Central Alliance of Estonian Enterprises was formed in December of last year. The formation meeting continued on March 7 with discussions on its constitution. The name was also amended. The voluntary alliance formed at the initiative of leaders from several major industrial corporations is now called the Central Alliance of Estonian Corporate Entities [Eesti Majandusühenduste Keskliit]. An 11-member council was elected. Juri Kraft, executive director of the firm Estar, was elected chairman of the council. What does the central alliance stand for, and what prompted the sudden name change?

[Kraft] The alliance was modeled after similar alliances in Finland, Sweden and other countries that were formed to protect the interests of the industry. The view held within governmental circles as if we were dealing with a new organ of power is simply not true. Several directors, who are concerned about the disintegration of industry, have turned to me. This is why I don't understand the opposition shown to us by the Tallinn directors' club. And even after we get the constitution approved on April 3, that too will be changed in time.

The new name should be more precise. The industrial alliance unites roughly 90 percent of the industry in the Nordic countries. Estonia is small, and that's why we thought it practical to have construction and transportation companies join our alliance as well. The opposition shown to the formation of the central alliance, inevitably leads one to think: everything new that's being created in Estonia should have some kind of a gimmick. Only then will it be considered acceptable.

[Kaasik] Have there been any new members added?

[Kraft] Yes, there have been. The first eight, as I remember, were Eesti Põlevkivi [Estonian Oil Shale], Estar, the Voit [Victory] plant, Eesti Ehituskoondis [the Estonian Construction Cooperative], Eesti Kulaehitus [Estonian Village Builders], Asto, the Ship Rebuilding Plant of Loksa, and the Gas Analyser Plant of Voru. The new members are Eesti Piimaliit [the Estonian Dairy Association], the production cooperative of Põlevkivi-keemia [Oil Shale Chemistry], Eesti Raudteekond [Estonian Railroads], Eesti Merelaevandus [Estonian Marine Shipping] and Merekaubasadam [the Commercial Seaport] of Tallinn. That also accounted for the 11 members

on the council. Yakov Lashkin, chief of Railroads, is deputy chairman of the council.

[Kaasik] Do you see any similarities in the situation of Estonia's industry to that of our agriculture? As we prepare for privatization and a transition to market economy, we tend to be too eager to liquidate production units that are still functional.

[Kraft] The analogy is quite valid. Wrong steps taken by the industry can be that much more disastrous, since major industry is the cornerstone of the state's economy and, under normal conditions, subsidizes both agriculture and lower-paid members of the society. As a rule, expenditures in the social sector are reduced in times of crisis.

[Kaasik] One fears that, given our poverty, there is nothing left that we could cut out of the social sector.

[Kraft] Don't get me wrong, please. I have nothing against caring for people. But during these economically difficult times, there is no way we could implement great cultural programs—that would be like feasting during the plague! Besides, for the sake of justice, we also have to think of the producer. Considering our future, this is certainly not less important.

[Kaasik] Privatization should widen the range of opportunities for the development of industry. The first steps in this direction have already been taken.

[Kraft] Yes, they have. But they have been short and slow. We'll have to hurry with the creation of national corporations, and with bringing in foreign capital. But now there have been hints that, since we don't have people worthy enough of the shares we want to sell, we should go the renting route instead. Of course, today's industrial leaders could be considered stagnationists. Since every director who has brought his company out from under Union control is considered a folk hero of sorts, I would like to point out that I, for one, participated in bringing an entire branch of industry under local authority. For my ideas, however, I've always been considered an oppositionist. I have noticed attempts to repeat the enmity of the 40's, directed—this time—against the "red barons" and "industrial stagnationists." However, I am firmly opposed to rental arrangements.

[Kaasik] You mean you are opposed to the same arrangements that Gorbachev, at one time, offered to agricultural producers all across the Union, and which were promptly condemned by our farmers?

[Kraft] Precisely. With the impending price hike, people will be impoverished further. If we strip the people first, and then start with privatization, who can afford to buy the shares? Obviously those, to whom we didn't want to sell in the first place—operators of the shadow economy.

[Kaasik] There are also Union-controlled enterprises that belong to the central alliance.

[Kraft] Yes. That gives us two advantages. We are trying to combine the industry, because it is international in nature all over the world. Secondly, I'm convinced, that in this way the Union-controlled industry will also start giving more thought to Estonian agriculture.

[Kaasik] In this case, shouldn't you be considered a constructive oppositionist?

[Kraft] The government is tied up with politics. The Central Alliance wants to offer its help with the development of economic life. We hope to have some input in the matter of working out the concept of industrial development, and in drafting up appropriate legislation. We hope that the government and the Supreme Soviet both will understand that the interests of industry also need to be protected. This is why we would be glad to see small enterprises joining our ranks also.

## REGIONAL DEVELOPMENT

### Peasant Union Emerges in Kazakhstan

#### Kazakhstan Peasant Union Established

914B0137A Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 8 Feb 91 p 1

[KAZTAG report: "Republic Peasant Union Formed"]

[Text] The constituent congress of this social and political organization completed its business with the formation on 7 February in Alma-Ata of the Kazakh SSR Peasant Union. The delegates, representing primary components and rayon and oblast organizations of the union, also adopted its statutes and elected the directive bodies. K.Zh. Zhanatov, who is head of Taldy-Kurgan Oblast's Kolkhoz imeni XXII Partysyezd, is chairman of the Peasant Union.

The new union sets as its goal the utmost contribution to fundamental socioeconomic transformations in agriculture and the priority nature of its development. The new social and political organization intends to seek the equality of all forms of ownership, a revival of the peasantry and the organization of comprehensive servicing of the farms by way of creating specialized joint-stock enterprises, banks and economic and legal advice bureaus. All this is designed to facilitate the speediest and profound accomplishment in the sector of radical economic reform and a transition to controlled market relations and will ultimately have a salutary effect on the use of the production potential.

The congress comprehensively analyzed the work of the main sectors of the agro-industrial complex.

The keynote speaker, B.M. Tursunbayev, state counselor of the Kazakh SSR for agriculture, food and the environment, and other speakers emphasized that the large-scale investments in intensive techniques were not producing the anticipated results as yet. The actual spring wheat harvests were appreciably below the scientifically substantiated harvests. Soil fertility is declining. All this is connected primarily with the low standard of farming, which requires urgent measures for a rectification of the situation. The comprehensive amelioration of the fields and the full use of organic chemistry and also plant residues and straw and the introduction of green-manured fallow are needed.

In parallel there should be quantitative and qualitative changes in feed production. Pasture has become degraded over a vast area on account of excess loads. The specialized Kazpastbisha Association will have a lot to do in its restoration. It is necessary simultaneously to comprehensively assimilate much arid grazing land. A further expansion of the areas sown to leguminous grass on plow land, forage cereals, chick pea, peas, soybean and corn for grain is, as before, vitally important for an increase in meat and milk production.

Vegetables, potatoes, and fruit are becoming unpopular with some leaders. Yet the republic is capable of fully catering for requirements in such products. But for this it is necessary to switch production chiefly to irrigable land and eliminate losses during harvesting, processing, and storage. There are opportunities also for the fuller satisfaction of Kazakhstan's sugar and vegetable oil requirements.

Scientific-production systems actually achieving an increase in production are a dependable ally of the farm specialists. It is they that are particularly active in introducing progressive techniques and new varieties. And more attention needs to be paid to this also.

Also at the center of the delegates' attention were current operations: preparation for spring and organization of the wintering. It was the general opinion that the state of affairs here is extremely unsatisfactory. Given a wealth of fodder, a decline in the production of milk and meat has been allowed to occur. The outlays and prime costs in animal husbandry products are high. The sovkhoses and kolkhozes [state and collective farms] are losing out appreciably to the progressive leased and tenant-farmer outfits and the peasants' personal farmsteads here. Is this not why their leaders are still frequently impeding the development of progressive forms of labor.

It is necessary to open everywhere a wide road to that which is new and progressive and ensure in practice the equal development of all forms of management on the land. There should be an increase in the peasant farms by the start of the spring-field work: finding additional land for them and displaying concern for the creation of new horticultural and gardening associations is planned.

The congress delegates adopted a statement addressed to the president of the Kazakh SSR and the republic Supreme Soviet and an appeal to the peasants, working class, and all citizens of Kazakhstan.

The congress was addressed by N.A. Nazarbayev, president of the Kazakh SSR.

#### Congress Meets, Nazarbayev Attends

914B0137B Moscow SELSKAYA ZHIZN in Russian  
9 Feb 91 p 2

[KAZTAG-TASS correspondent report: "Peasant Union of Kazakhstan"]

[Text] Alma-Ata, 8 February—The constituent congress of this social and political organization completed its business today with the formation of the Peasant Union of Kazakhstan. Statutes were adopted and the directive bodies elected. The new social and political organization intends to strive for the equality of all forms of ownership, a revival of the peasantry, and the organization of comprehensive servicing of the farms by way of the creation of specialized joint-stock enterprises and banks.

The congress was addressed by Kazakh SSR President N. Nazarbayev.



### **Tursunbayev Addresses Congress**

914B0137C Moscow ZEMLYA I LYUDI in Russian  
No 9, 1 Mar 91 p 1

[L. Rakitskaya report: "Peasant Union Formed in Kazakhstan"]

[Text] A congress of agricultural workers of Kazakhstan, which formed the republic Peasant Union, has been held. Of the 507 delegates to the congress, tenant farmers and leaseholders constituted 14 percent.

The report was delivered by B. Tursunbayev, state counselor of the Kazakh SSR for agriculture, food, and the environment and chairman of the organizing committee. The representatives of agricultural cooperatives, the owners of peasant farms and kolkhoz and sovkhoz leaders who spoke in the debate spoke about what was most painful: the constantly growing price of equipment, industrial commodities, and construction materials, about the fact that problems of the socioeconomic development of the countryside are not being solved quickly enough, and about the extremely inadequate material and technical supply of the farms.

The congress delegates gave the new public organization its instructions: perseveringly solve the socioeconomic problems of the countryside, contribute to better material and technical provision of the sovkhozes, kolkhozes, and tenant farms, and actively influence pricing processes.

The congress was addressed by Kazakh SSR President N. Nazarbayev. He summed up the past year, noted the need for an improvement in the preparations for spring, and shared opinions on a solution to problems of the elaboration of the Union treaty and the plan and budget for 1991.

Comrade Nazarbayev supported the formation of the republic Peasant Union, emphasizing the importance of the mass public movement for fundamental socioeconomic transformations in agriculture and assurance of its priority nature, the social reorganization of the countryside, and the spiritual revival of the peasantry and an improvement in the working and living conditions of the workers of the agro-industrial complex.

The congress elected the directive bodies of the Kazakh SSR Peasant Union.

### **MACHINERY, EQUIPMENT**

#### **Ryazan Farm Hampered by Machinery, Operator Shortages**

PM1704161791 Moscow Central Television Vostok  
Program and Orbita Networks in Russian 1530 GMT  
12 Apr 91

[From the "Vremya" newscast: Report by A. Naymushin and S. Nomerotskiy, identified by caption]

[Text]

[Reporter] "Rest a day and lose the harvest," the proverb has it. The busy spring period is particularly important, and this year it will be exceptionally difficult. The "Rossiya" Kolkhoz [collective farm] of Starozhilovskiy Rayon in the Ryazan area had planned to sow its early spring crops in the space of six days. And the area they have to cover is impressive—almost 3,000 hectares. [Video shows A. Seregin, kolkhoz chief agronomist, identified by caption]

[Seregin] Last fall was difficult. Fall plowland was left partly unplowed, winter crop lands were not entirely sown, and consequently, the amount of spring work has increased.

[Reporter] The city is not giving the countryside much help. Ryazan was to have sent the oblast's farms around 5,000 machine operators by 15 March—that was the agreement. So far, less than half have been sent to the countryside. And this kolkhoz has not had any help either. [Video shows N. Ruzayev, kolkhoz chairman, identified by caption]

[Ruzayev] The farm is currently short of 12 tractor drivers. Consequently, we decided to train some of our other drivers to do the job. When the time comes, these comrades will get in their tractors, and that's how we'll make sure that spring field work is carried out on time.

[Reporter] The kolkhoz has done everything possible. Their equipment has been repaired and they have enough good seeds. Only the spring and summer will show whether this strong farm will produce 35 quintals on average, as they think. The crop farmers here are experienced and have been working to ensure that the seasons don't wreck their hopes. What else? Without modern technology there will be no progress, that is a matter for industry and science.

[Seregin] However hard things may be this year, we will be sowing and harvesting. Naturally, we'll need help from the city. But at this point in time not one of our agricultural machines meets our agrotechnical requirements. This is why we would like scientists to be in direct contact with us and develop a new range of machines which would do what we want and allow us to improve all our yields.

## POLICY, ORGANIZATION

### 'Crisis' in Construction Sector Detailed

914C0007A Moscow TRUD in Russian 16 Apr 91 p 2

[Interview with G.D. Arzhanov, chairman of the Construction and Building Materials Industry Workers Union Central Committee, by F. Yemchenko in Moscow: "Breaking Is Easier Than Making"]

[Text] Judging by appearances, the saying "breaking is different from making—it doesn't require any intelligence" seems to be acquiring a literal meaning in our country. Construction volumes are being reduced everywhere. Our single construction system is being destroyed under the pretext of putting investments in order. All this cannot fail to render a negative effect on the social climate in our huge army of construction workers. Our TRUD correspondent met with G.D. Arzhanov, chairman of the Construction and Building Materials Industry Workers Union Central Committee, and asked him a number of questions.

[Yemchenko] Gennadiy Dmitriyevich, it is hard, of course, to name even one industry at present that has not been affected by the crises in our economy. But the situation in the construction sector causes special concern. How do you assess the situation in your industry?

[Arzhanov] I think it is extremely complex. The crisis has struck a blow at every structure in our industry. Let us start from the "top." A continuous reconstruction has been going on in recent years in the construction sector management. First they split the system into territorial ministries, which were later eliminated. The very existence of the USSR Gosstroy [State Construction Committee] seemed doubtful. In short, our industry found itself without a "master." Almost all of its management structures at the Union level were destroyed. The newly formed concerns and associations have been handed over to the local soviets. But the soviets are still too weak to manage such a huge force skillfully. Besides, they are more concerned with distribution of power than with the economy. In other words, the construction sector is under no control now from top to bottom. Here is a distressing result of this "perestroika": Many of our organizations have signed contracts which can satisfy no more than 50 to 60 percent of their capacities. To that you can add the total collapse of the material and technical supply system.

[Yemchenko] But the crisis in your industry did not happen overnight, I think. Its symptoms have been evident for several years now. What measures did the trade union headquarters undertake to impede the descent?

[Arzhanov] We started raising the alarm a long time ago. We addressed the former Council of Ministers several times; luckily for us, one of Ryzhkov's first deputies was then specifically involved with the problems of capital construction. Some support was extended to us by the

USSR Gosstroy. At the end of the last year we had a meeting at N. Ryzhkov's office. We invited about 50 delegates from various areas of the country to this meeting. Many complaints about the government were heard there. The former Council of Ministers chairman requested the Gosplan [State Planning Committee] and the Gosstroy, together with the republic governments, to design a comprehensive program for the restoration of our construction industry. The trade union central committee took an active part in this work.

A draft program was prepared. But as you know there was a change of government. We had to keep insistently proving that representatives of the construction sector should be given slots in the Cabinet of Ministers structure. Now the USSR State Committee for Construction and Investments has been established.

[Yemchenko] Generally speaking, it is rather strange to hear that a trade union was fighting for the creation of its own opponent.

[Arzhanov] That might be true in theory. Life, however, is dictating to us different "rules of the game." To realize the program whose draft I have mentioned we need to have a coordination center. Such a center would help to establish mutual interaction among various industries of our national economy while representing the interests of construction workers in the government. After the final transfer to the market economy the necessity for such a structure might disappear. I doubt that, however. But now, during the transfer period, we cannot do without it. Look at what is happening: builders are idling, yet at the same time a huge number of processing industry and social projects cannot begin functioning because of a shortage of building materials and lack of workers.

I have been working in the construction industry for 30 years. In all these years the amount of manual labor in the industry has not diminished. Now we are not getting even those mechanisms which we used at our sites some three or four years ago.

[Yemchenko] A builders union congress took place recently in Moscow. This organization includes mostly managers of construction subdivisions. How are the relations between this organization and the trade union?

[Arzhanov] I see it as a prototype of an employers union. There were proposals at the congress, by the way, to give such a name to the organization. But we must still be scared of too obvious terminology of the market economy.

As you have noticed correctly, the builders union consists mainly of construction organization managers who intend to preserve their workers collectives under these complex conditions and to withstand a final collapse of the industry. They outlined the creation of such conditions at the sites as would enhance the prestige of their profession as one of the important tasks of their organization. They want to attract young people into the

industry. Some of our professions are almost extinct. Take masons—there are only 200,000 or 300,000 of them left in the country.

[Yemchenko] I remember that your trade union initiated the creation of a masons' association...

[Arzhanov] We have not seen the expected results yet. The association is not working too well.

I personally think it was a big mistake to abandon bricklaying in our construction work. Buildings made of bricks last longer than those made of concrete panels. The architectural possibilities are much more diverse. Social losses are also big: bricklaying has been destroyed as a craft, masons' salaries are the lowest in the construction sector—R160-200. For a long time we have been trying to list this profession as one requiring special retirement benefits. The government has not agreed to it yet, but we are continuing our effort.

[Yemchenko] You have mentioned that construction volumes are diminishing. Can that entail mass unemployment?

[Arzhanov] I would not qualify it as a mass phenomenon, but there already have been some instances of it. Now we are immediately involved with this problem. Recently we met with our union activists to research this very problem. Our central committee officials went to visit certain areas. The draft program for the restoration of our construction sector, by the way, has an entire section dealing with the issues of employment. It would be unforgivable to allow builders to be unemployed. There is so much work, there is so much that needs to be done in our country!

[Yemchenko] There is a lot of work, but there may be an insufficient number of working places for everyone. These are different things.

[Arzhanov] I agree. But I would not yet cite a lack of working places as one of our problems. The other day I met with the managers of Moscow construction organizations. They declared unanimously that there was a shortage of hands at construction sites. Most qualified personnel left for free enterprises. We also met with the managers of concerns and associations. They sang the same song—there was more than enough work. The problem is that our administrative links are broken, the material and technical supply system has been totally destroyed.

[Yemchenko] How would you describe the main goal of your trade union?

[Arzhanov] It covers a complex of socioeconomic issues, but I would like to emphasize our struggle for accelerated reform of our wage system. Our people should be able to earn as much as they need for normal life even with the price increases. We have to eliminate all restrictions on consumption funds, otherwise we will never get out of the economic quicksand. For that reason the trade unions should primarily defend the economic rights of

the working people. We got too carried away with our demands to provide social guarantees for our people and to fight against the price increases. But this kind of struggle becomes meaningless in the market economy. It can only inhibit economic transformations. This is what we have to remember in our trade union's practical work.

This is why we support the demands of the USSR General Confederation of Trade Unions Council second plenum stating the necessity of raising and reforming the wage system.

[Yemchenko] The Russian trade unions have started energetic collective actions, the so-called workers' spring offensive. Do you support such tactics?

[Arzhanov] I think that any actions designed to protect the working people are justified and necessary given the present situation.

[Yemchenko] And here is one final thing. One can see the new personnel and changes in work methods in the trade unions at either the republic or the country level. Meanwhile, primary organizations still retain a lot of their past habits. I might be mistaken, but this is especially obvious in the builders collectives. Why is this?

[Arzhanov] There are several reasons. Our workers collectives are usually scattered over different locations. They are not as united as people who are working together in a factory shop, say. Another is that, as we talked about the independence of primary organizations, in some places we "threw the baby out with the bath water." We left those "primaries" alone with the administrators who were as united as before. Some people were so afraid of becoming known as conservatives, as advocates of the command system, that in certain trade union oblast committees they weakened all ties with the industrial collectives.

We did a deep analysis of the current trade union situation at our recent central committee plenum. We have come to the conclusion that we need to correct such deviations urgently; we need to pay more attention to the work of our primary organizations, help strengthen their elected organs, and teach our people how to work efficiently under the new conditions.

**International Construction Institute Founded**  
914C0007B PRAVITELSTVENNIY VESTNIK  
in Russian No 12, Mar 91 p 2

[Response to reader's letter by A. Ivanov, head of the USSR Gosstroy Center for Analytical Research and Scientific Prognosis: "As a Joint-Stock Company"]

[Text] "I heard that an International Construction Institute was founded. Could you provide more details about this?" [signed] I. Komarov, Leningrad

**A. Ivanov, head of the USSR Gosstroy [State Construction Committee] Center for Analytical Research and Scientific Prognosis, responds to the question:**

It is true that USSR Government Decree No. 70 of 1 February 1991 supported the initiative proposed by the USSR Gosstroy, the economics department of the USSR Academy of Sciences, and the Academy of National Economy, which suggested creating the first International Construction Institute in our country.

As the founders see it, the institute will unite, as a joint-stock company, various research, legal, consulting, and other organizations and publishing and printing centers which are interested in seeing the construction sector of our country included in the world economic network and want market relations established in our construction sector and economic reform in the area of investments.

The sponsors and clients of the institute from the Soviet side will be the government organs of investment management at the Union, republic, and municipal levels, as well as the USSR builders union, managers education fund, and an investment insurance company.

The joint-stock basis of the institute will help to determine its commercial and advertising activity. Experts at the institute will provide various informative and consulting services, and will also do examinations of various projects as commissioned.

Major foreign companies, by the way, may become cofounders of the institute also if they develop an interest in the Soviet investment market. That kind of cooperation will enable them to use unique commercial information and receive preferential consultations on the most efficient way to invest their finances in the USSR construction business.

## FOOD PROCESSING, DISTRIBUTION

### Krasnodar Not To Put Up Prices of Dairy Products

PM1804151791 Moscow Central Television First Program Network in Russian 1800 GMT 15 Apr 91

[From the "Vremya" newscast: Report by V. Obratsov and V. Shibakov, identified by caption]

[Excerpt]

[Announcer] Now a report from Krasnodar. The Kray Soviet Presidium and Executive Committee have deemed it possible to retain the old prices for some food products.

[Obratsov] The prices for milk, cream, cheese, and sour cream remain the same as before throughout Krasnodar Kray. Incidentally, this applies to the whole range of dairy products. Our camera team even felt a pang of nostalgia when they visited several dairy product stores in Krasnodar. The old prices for these products are being maintained within the state and cooperative retail trade network, and also for products delivered to children's and medical establishments, schools, secondary and higher educational establishments, and workers' cafeterias. In restaurants and at vacation establishments new prices for milk products apply. This is because people eating in restaurants do not require special social protection, and the cost of vacationists' food is included in the travel vouchers and paid for by the trade unions.

Why have dairy products been singled out? This is because for old people, large families, and low-income people in general, dairy products are a staple food. Some 60 million rubles have been allocated for this purpose from the kray budget. [passage omitted—interview with kray soviet official Yeruntsov]

## GOODS PRODUCTION, DISTRIBUTION

### Same Consumer Goods Problems Plague Military Personnel

91P50159A Moscow *TORGOVAYA GAZETA*  
in Russian 16 Apr 91 p 2

[Interview with Lt. Col. M.V. Bovchenko, chief of the trade administration of the Far Eastern Military District, by I. Badarin: "It is No Easier than for Civilians"]

[Text] A large detachment of trade workers serves the military personnel of the Soviet Army. Their stores and kiosks are not only in the cities, but in the most distant garrisons. How do military trade personnel work, and what are their problems today? TG's [TORGOVAYA GAZETA] correspondent discussed this with chief of the trade administration for the Far Eastern Military District Lt. Col. M.V. Bovchenko.

[TG] Mikhail Vasilyevich, trade which serves the civilian population is currently experiencing difficult times. What is the situation in military trade?

[Bovchenko] It is exactly the same. Commodity coverage is no better for us than it is for any civilian store. We fight with our suppliers in order to conclude contracts, but we get the goods with great difficulty. Our funds, like those of civilian trade organizations, are allotted by the local soviets. And just like civilians our workers are running around the country searching for goods for decentralized procurement. We have no kind of advantages in comparison with civilian trade. Military personnel receive products for ration cards in those stores to which they are assigned.

[TG] Aren't there special food rations for servicemen?

[Bovchenko] For a serviceman, yes. But in addition to the officer himself there may be two or three people in his family. A wife, children. And there are no rations for them. It is particularly difficult for those who serve in distant garrisons. In the city it is possible to buy products in the market, or in cooperative stores. But in the taiga garrisons there are no markets, no cooperative stores. The situation is also serious regarding manufactured goods in high demand, and this includes almost all products today, from socks to refrigerators and televisions. The distribution system works just the same for us as for everyone else. A command unit and a commission of people's control handle this. There are thousands of people on the lists. We try to provide privileges for Afghan veterans, families with many children, and invalids.

[TG] In addition to trade, your administration also produces goods. You have your own workshops for making clothing and shoes. Why can't these help add to the supply of goods?

[Bovchenko] These workshops are set up, as a rule, in faraway places, where people cannot make use of civilian service enterprises. These are small workshops, and they have difficulty coping with even individual orders. They also have problems with raw materials. They simply do not have the ability to produce goods for the stores.

[TG] The opinion exists that the army is a wealthy organization.

[Bovchenko] This is not the case. Money goes first of all for constructing housing. This is a serious problem for servicemen, especially now with the withdrawal of troops from foreign countries. However, we are doing the building. Last year alone we opened up 23 new stores with an area of 2,275 square meters. In the Maritime Kray and Amur Oblast, in Chukotka and on Kamchatka we opened up new modern trade bases.

[TG] Your shoppers are military personnel, and therefore, disciplined. It is probably easier for salespeople to work with those kind of shoppers.

[Bovchenko] It's not officers, but more often their wives who go to the stores. The fatal shortage of goods upsets and embitters any person, whether military or civilian.

There are also no fewer auditors in our stores. From the trade inspectorate from [organs] of the BKhSS [Combating Embezzlement of Soviet Property and Speculation], commission of social control, and so forth. Military controllers, just like workers' controllers, are not always competent regarding trade issues. We also have to confront lack of objectivity and unfairness.

[TG] It seems that both military personnel and civilians deserve better trade services.

[Bovchenko] It is difficult for everyone today. It is not easy for military personnel. However, we do not ask for any kind of special benefits or privileges. Let the economic situation in the country improve and the shelves of our stores will become richer.

## HOUSING, PERSONAL SERVICES

### Deputy Minister Justifies Higher Public Catering Prices

PM1504105591 Moscow PRAVDA in Russian  
10 Apr 91 Second Edition p 2

[Interview with V. Savchenko, USSR deputy minister of trade, by Ye. Sorokin, under the rubric "New Prices: Competent Opinion": "Public Catering Wants to Feed People Too"]

[Excerpt] Last week PRAVDA reported that the social situation in a number of parts of the country had considerably deteriorated, owing to the rise in the price of public catering meals. In some places things had even reached the stage of strikes. It is well known that, at the suggestion of the USSR Ministry of Trade and of the Cabinet of Ministers, a commission was set up to draw up a number of recommendations to reduce the cost of meals in workers' canteens, schools, VUZ's [higher educational institutions] and vocational and technical colleges. The current situation in the public catering system is discussed by V. Savchenko, USSR deputy minister of trade.

[Sorokin] Vladimir Sergeyevich, our readers naturally would like to know the contents of the resolution adopted by the Cabinet of Ministers.

[Savchenko] It is no secret, thank God. Since it is very brief, it is worth publishing.

USSR Cabinet of Ministers Resolution 146 "On Additional Measures to Ensure Social Protection for the Population in Connection with the Reform of Retail Prices."

With a view to increasing social protection for the population in connection with the reform of retail prices, the USSR Cabinet of Ministers resolves:

—to lay down that any expenditure by enterprises and organizations out of their post-tax profit on compensating workers in 1991 for the increased cost of food in canteens, buffets, and clinics, shall not be included in their funds channeled into consumption. Partial compensation for the increased cost of public catering shall be arranged for citizens using such services at their place of study. To this end, union republic governments and local soviets are instructed to make the necessary appropriations to provide compensation for expenditure on catering for pupils and students in schools, vocational and technical colleges, and secondary specialized and higher educational establishments.

The USSR Ministry of Finance shall make appropriations for these purposes at similar Union institutions. It shall be laid down that the coefficient linking spending growth to the salaries paid to public catering workers shall not be applied at canteens and buffets at enterprises, schools, vocational and technical colleges, and secondary specialized and higher educational establishments.

[Sorokin] So, the resolution has been adopted. But why do you think the price rise in public catering caused such a unanimous protest?

[Savchenko] First, because more than 140 million people use public catering every day. And if your pay is 200 rubles [R] but the price of a meal is R4, you can imagine how much that will cost a family budget. After the price reform, up to 80 percent of pupils in certain schools gave up having breakfast and lunch, and the figure was 50 percent for workers, employees, and students. Our network is starting to be idle. That is one aspect of the issue.

The second concerns public catering itself, which operates on the basis of economic accountability. Under these conditions empty canteens are threatened with bankruptcy, and public catering workers will have no source of pay. There is a threat of being hit by a double whammy.

[Sorokin] But why have prices of public catering services increased so sharply?

[Savchenko] Our life sometimes surprises me. When we all read in the newspapers about prices being increased in future by "orders of magnitude," why should we expect cheap meals? Where will cheap meals come from if the price of food has increased by 170-230 percent? Elementary logic suggests that public catering is bound to be expensive. [passage omitted]

## PERSONAL INCOME, SAVINGS

### Compensation Plan for Families With Young Children Explained

914D0181A Moscow ARGUMENTY I FAKTY  
in Russian No 15, Apr 91 p 1

[L. Koryakova, first deputy chief of the Administration for the Affairs of Women and the Protection of the

Family, Motherhood, and Childhood of the USSR State Committee for Labor and Social Problems, responds to readers' questions put by unidentified ARGUMENTY I FAKTY correspondent: "Compensation for Families With Children"]

[Text]

[ARGUMENTY I FAKTY] Lyudmila Vasilyevna, what types of compensation in conjunction with the increase in retail prices are paid to women who are on leave taking care of children under one-and-a-half years of age?

[Koryakova] Monthly child benefits in the amount of 110 rubles [R] instead of R70 have been established for women who have a tenure of one year (for those under 18—regardless of tenure), as well as for mothers who are full-time students. (If a mother does not have a tenure of one year, the amount is R80 instead of R35).

If two or more children are born, the benefit is paid for each child.

In addition, women should receive quarterly compensations in the amount of R50 for an increase in the prices of children's goods (in April for the second quarter of 1991) if the per capita income of the family does not exceed four times the amount of the minimum monthly wage (R280).

[ARGUMENTY I FAKTY] As far as we know, the issue of repealing the limitation on the level of per capita income for the payment of compensation for children is being resolved at present.

[Koryakova] Indeed, some republics have already repealed the limitation, for example the RSFSR [Russian Soviet Federated Socialist Republic] and Belorussia.

**Simultaneously**, women are paid compensation (as employees) of no less than R60 a month.

It should be kept in mind that the payment of the first compensation for children in April 1991 should be made through anticipatory procedures in March (in the form of the difference between the increased amounts of benefits and those in effect, i.e., in this case R40 or R45 respectively). Those who receive anticipatory compensation in March should receive in April only the old benefit amounting to R70 or R35. Beginning in May, the benefits will be paid at the new, higher levels.

[ARGUMENTY I FAKTY] What if a woman does not work and looks after a child under one-and-a-half years of age?

[Koryakova] In this case the mother will receive a monthly benefit of R80 instead of the previous R35 and, in addition, quarterly compensation (no less than R50) for the increase in prices of children's goods. Compensation for the women themselves is not envisaged. This

provision was adopted at the Union level; the republic and local organs of power have the right to make their own decisions.

[ARGUMENTY I FAKTY] How much will those who are taking unpaid leave to look after children between one-and-a-half and three years of age receive?

[Koryakova] A monthly benefit of R80, instead of the previous R35. Compensation for the increased prices of children's goods is also paid for children of this age (R50 per quarter). However, these payments will only be made to families whose total income per family member does not exceed four times the minimum wage.

Compensation for the women themselves taking unpaid leave to take care of children is not provided for. However, this issue may be resolved directly at enterprises at the expense of funds generated by them.

[ARGUMENTY I FAKTY] For what children and in what cases are monthly payments of R40 established?

[Koryakova] For children under 16 (under 18 for students who do not receive scholarships) who do not receive allowances or benefits under the social security system in effect. These payments are made to children in families with a per capita income not exceeding four times the amount of the minimum wage. Such payments are not given to students at trade schools, vocational schools, and higher schools who receive scholarships, as well as children who are wards of the state.

[ARGUMENTY I FAKTY] Will R40 per child be paid during the time the mother is on postpartum leave?

[Koryakova] Mothers will not be paid monthly compensation for the period of postpartum leave for a newborn child. During this period, compensation of no less than R60 in addition to wages will be paid to women, as well as an increased lump-sum allowance for the birth of a child amounting to R250 rubles. The republics have the right to increase this. For example, in the RSFSR this benefit was set at a level of R350.

[ARGUMENTY I FAKTY] Are the amounts of compensation increased in areas and localities where regional wage coefficients apply?

[Koryakova] In such areas the benefits and compensation established for children (except for payments on account of the growing prices for the goods of the children's assortment) are paid taking into account coefficients used for employees of nonproduction sectors.

[ARGUMENTY I FAKTY] Are child-support payments included in family income when the per capita income is established?

[Koryakova] Child-support payments received are taken into account in the total income of a family, and child-support payments made are subtracted from this income.

[ARGUMENTY I FAKTY] Can compensation for a child be paid to the father if the mother is a full-time student? What documents are required in this case?

[Koryakova] In this case, compensation for the child should be paid at the place of mother's study.

It is necessary to file the following documents in order to have compensation paid for children: a petition, a certificate of composition of the family from the place of residence, a copy of the child's birth certificate, and when necessary, certificates of income of all family members during the previous calendar year.

[ARGUMENTY I FAKTY] What types of benefits and compensation will be paid to single mothers?

[Koryakova] Benefits (including compensation) are paid to working single mothers depending on the age of the child at the following levels:

—when on leave to take care of a child under one-and-a-half years of age, the following are paid to single mothers **simultaneously**: a child benefit of R110, a single-mother benefit of R80, and compensation for the mother herself amounting to R60;

—between one-and-a-half and six years of age: a single-mother benefit of R80 a month and a child benefit of R80 are paid if the per capita income of the family does not exceed the amount of four times the minimum wage;

—between six and 16 years (for students who do not receive scholarships—18 years), a benefit of R90 is paid.

Simultaneously with the above child benefits, compensation for the growth of prices for the goods of the child assortment is paid to single mothers taking into account the income of the family and the age of the child.

[ARGUMENTY I FAKTY] How and when will compensation for the growth of prices of children's goods be paid?

[Koryakova] In 1991 compensation will be paid for three quarters. In the second quarter, it should be paid in April at the following rates: for children under six—R50; for children between six and 13—R60; and for children between 13 and 18—R70.



## ELECTRIC POWER GENERATION

### Kola AES Training Facility Lauded

*PM1804125791 Moscow Central Television First  
Program Network in Russian 1800 GMT 14 Apr 91*

[From the "Vremya" newscast: Report from Kola Nuclear Electric Power Station by V. Anuchin and M. Shakhmetov, identified by caption]

[Text]

[Anuchin] The Kola Nuclear Electric Power Station [AES] has been in operation since 1973. It is located near the center of Murmansk Oblast some hundred kilometers away from the nearest major population centers. It feeds the ramified "Kolenergo" grid; that is to say it supplies electricity to all the major enterprises in Murmansk Oblast and Karelia.

Fortunately there has not been a single accident in the Kola AES' history. Each year safety stipulations are becoming more rigorous.

This training facility, produced by Soviet and Hungarian specialists, is a great help in ensuring the station's safe operation. On a small control panel the station's staff can simulate reactor and turbine control operations. There is also an overall diagram of the AES. And all this is operated by four personal computers. That is to say, 80 percent of the actual processes taking place at the station are modeled on the training facility. The facility can also be used by staff to study emergency situations which might arise at the station and to adopt decisions on how they can be eliminated. The training facility cost three million [not specified]. However, the saving produced by its use is far greater. And most important—it enhances the chances of the station's accident-free operation and could even prevent a Chernobyl-type accident.

### **Pavlov Trade Union Confederation Speech Report** *914F0188A Moscow TRUD in Russian 13 Apr 91 p 2*

[TASS report of 10 April 1991 speech by USSR Prime Minister V. S. Pavlov at the Plenum of the USSR Trade Union Confederation Council: "It's not Enough to Demand, Work is Necessary"—paragraphs in bold are the TRUD introduction]

[Text] **From the Trade Union Life Department. As has already been reported, USSR Prime Minister V. S. Pavlov spoke on 10 April at the plenum of the Council of the USSR VKP [USSR All-Union Trade Union Confederation]. We have already recounted [TRUD, 12 April 1991] in the notes of journalists and in excerpts from the stenographic report the sharp reaction of the members of the Trade Union Confederation Council to the content of the speech of the head of the government and to the fact that he limited his participation in the plenum to two hours.**

We will add to this that a number of the members of the Council have demanded a "verbatim" reproduction of V. S. Pavlov's speech in TRUD so that all the readers could evaluate the lack of preparedness, in the opinion of the speakers, of the Chairman of the Cabinet of Ministers for a serious dialog with the trade union center, the disregard for the essence of the tasks of the trade union movement, a certain condescension with respect to the audience, and a striving, in essence, to point the trade unions to that same "roost" they occupied before perestroika.

However, an account of the speech of the USSR Prime Minister has been transmitted through TASS especially for the press and has been published by some newspapers. In printing it today, we report that the verbatim text of the speech is included in the stenographic report of the plenum.

Dear comrades, permit me to remind you of Lenin's thesis that the trade unions are not only a school of communism but even more a school of management and a school of control. Therefore I would like to direct your attention to one thing—we all have learned to demand in unison: do this right away, carry out that, give something more. However, for some reason, no one talks about where to get it all from.

The USSR Cabinet of Ministers should do this, they say. Here's the draft of the resolution of your plenum, which I have familiarized myself with. Two-thirds of it also consists of demands on the cabinet. By the way, I would like remind you of one other thing: in its existing status the Cabinet of Ministers does not possess legislative initiative and therefore we cannot introduce any proposals. We are an executive organ. It's you, the trade unions, who possess legislative initiative, therefore make use of your initiative and introduce proposals.

As regards the Cabinet of Ministers, we asked exactly for this but the USSR Supreme Soviet declined this request. When we talked with the miners about increasing wages,

which the cabinet is not against, we said: both 1.7 and two times and three times we are for, but on one condition. This wage will be accompanied by a corresponding increase in the volume of production. If you look at our agreements with the miners it is clearly recorded there that their wage is to be doubled when they reach a coal output volume of 711 million tons. Otherwise, an immediate redistribution will commence because if one simply takes and increases somebody's wages this means that one has to correspondingly take these funds away from somebody. It doesn't happen any other way in nature.

You know perfectly well that there is already nothing more to take from anybody. Let any one of those present point out a sector or occupation where they pay more than the people in fact earn. I think that one will hardly manage to find such an example.

I think therefore that if you formulate the demands you also formulate the obligations of the trade unions. In this case do you guarantee an increase in production volumes? If there are no such guarantees an increase in wages is impossible.

Please keep in mind that we will insist on tying a wage increase in with an increase in production volumes. Otherwise one should pose the question like this, that the trade unions insist on increasing the deficit of the state budget and the issuing of money. There is no other way in economics and if you insist on increasing the printing of money then say it. I simply remind you that the state budget and all the budgets of the union republics have been approved presently with a deficit, i.e., there is simply no money either in the union or in the republic budgets.

One needs to take into account also the fact that during the first quarter the volume of produced national income in the country fell 10 percent. Therefore, there is not even that which was planned and there is no output in the country on which we can count.

In this connection very complex problems are arising today which have been aggravated by the miners' strike. And who said just now that the demands of the striking miners have developed from economic into political. In reality they were political from the very beginning. And as a matter of fact at the same meeting the miners signed a document where it was clearly formulated that this is not a new strike but a continuation of the strike of 1989.

The result of it is that metallurgical units have gone out of operation. As of today five coke batteries and 21 blast furnaces have been shut down. By our estimate we will lose a minimum of five million tons of rolled metal alone by the end of the year. The entire country will feel this and very soon.

Comrades have said here that there is nothing with which to sow. Yes, nothing! And there is nothing with which to repair equipment because there is no metal

since there is no coke. Well then, no phosphorus fertilizers, carbide, glass, and no containers. You should know this. You should also know another thing: petroleum exports have fallen by 60 million tons because nature is not a bottomless barrel and because resources have been exhausted. However, even with this fall in the volume of recovery we have begun to reduce exports so as to maintain internal consumption. I think that this is right.

Exports of petroleum to the countries of Eastern Europe have practically ceased. However, we don't get from there what we received before. Therefore, the miners' strike will also lead in fact to the loss of large volumes of machine-building products. This will affect all sectors of the national economy and agriculture first of all.

One will not succeed in restoring everything at once. Now the miners have divided into two parts: some for working and others for striking. No doubt the trade unions know that the Kuzbass—one of the basic coal bases of the country—has been striking from the very beginning solely for political motives. There was and is not a single economic demand there.

True, associations are operating in the north of the Kuzbass. But I think, and it is no secret for you, that special brigades of 200-250 men each are going about the Donetsk basin in buses and blockading operating mines and not allowing miners to enter there. Representatives of Rukh are operating there who call for strikes. I will say also that at the mines in the Kuzbass there also are strike leaders of a kind and that some deputies of the Supreme Soviet of the Russian Federation and of the oblast Soviet head these groups. Why don't they talk about this here; you see, all this is the truth? (**Commotion in the hall**).

To the invitation of the Vorkuta miners I answered that I would fly there the following morning. However, already that evening I received a telegram that the prime minister, they said, cannot fly, that there will be no negotiations because the miners have political demands—the resignation of the USSR Supreme Soviet, the Congress, the President of the country and the government. And therefore there cannot be a talk. This also is the truth.

It was justifiedly said here that one should not isolate economics from politics. Today what is the greater hindrance is still uncertain: Does the economy create the conditions for political instability, or does politics press upon the economy? Perhaps those who say that the political instability has developed out of economic disorders and out of the low standard of living are right.

The living standard is low in the entire country. Perhaps this is a discovery for someone? Tell us, who has a high standard of living now? Perhaps only those who re-sell and steal. However, those who work live poorly and I don't know any sectors where matters would stand the other way around. The entire country lives this way.

And we all also should know why they live so. Is where the money has gone really unknown? Can one really

seriously think that if one liquidates the entire state apparatus, whose maintenance costs three billion rubles a year, one can solve the country's problems. Well then the cause is in something else and one cannot solve all the problems in a single day.

If a plant has always made military equipment it will not be able to produce civilian output tomorrow. One needs to invest money in this; conversion costs money. Some people think that if we stop making Kalashnikovs tomorrow then we will begin to produce refrigerators right away. Alas, it doesn't happen that way.

Some say that expenditures for acquiring military equipment need to be reduced and pensions increased. Well, let's say they have stopped making tanks. It makes no difference to the pensioners. They need meat, milk, and bread.

Therefore I would like for you to understand the government. It is not the enemy of its own people. If I can be candid I can say something else. Persuading people to work in the government is exceptionally complicated today. No one wants to go into this work. I personally requested all the republics, the universities, the academies of sciences and many public organizations and unions—of tenants, cooperative members, small enterprises, etc.—to give their suggestions concerning the structure of the Cabinet of Ministers, its functions, and what people they would like to see in the government. Do you know what we got for an answer? Two names in all, and those of active ministers. I suspect that they themselves organized these letters. (**Laughter**).

I carried on negotiations with at least six candidates for the post of minister of economics and received a categorical refusal from all of them, including from representatives of the left democracy and of science. The President of the USSR participated in these negotiations. The reasons for the refusals are varied, but be that as it may there are now at least 22 ministerial posts vacant.

\* \* \*

*Next the Prime Minister touched upon the political situation, which is tied in with the perestroika of the entire Union. Let's look, he continued, at the draft Union Treaty. All we who have agreed to sign it have essentially already signed it. So, the draft treaty needs to be reflected also in the resolution of your plenum. This has direct practical significance.*

\* \* \*

Now about prices and compensation. I wanted to remind you of the fact that the Cabinet of Ministers did not set the amount of the compensations. It set their minimum. And this is not by accident, it is not slyness. One should not depart from reality here and close one's eyes to the obvious. We have today no USSR state budget, there is only the all-union budget. Expenditures for defense, academic science, social support and maintenance of the all-union organs of power are in the all-union budget.

That's all that there is in the all-union budget. And all this money today does not belong to the Union, it belongs to the republics and we, as the all-union government, are not in charge of this money. This needs to be kept in mind. You see it was no accident that Comrade Shcherbakov reported here that at present the republics have put the financing of even these expenditures in jeopardy, since they are not handing over the money that they should pay. And we can do nothing here. Just now we have a completely different system of state structure. You can demand any amount of funds from the USSR Cabinet of Ministers; however Comrade Silayev has not transferred a kopeck to the stabilization fund.

In exactly the same way one can adopt all kinds of resolutions about increasing the amount of compensation but this means only that when a specific person comes to the social security office it will turn out that there is no money there.

When the matter relates to the compensation rates one needs to take into account the fact that solution of the problem of the level of prices has been handed over to the republics. And this was not done by chance. You see pork in Smolensk Oblast or, let's say, in Moscow is one thing but pork in Dushanbe or in Khorezm is another. These are different things. Can there be a single price here? No. As far as I recall they apparently sell about 300 tons of pork a year in Ashkhabad. But in the Russian oblasts this same pork is a prime necessity.

On the other hand—the prices for carpets. In some places they are a luxury, in others a necessity. There are a great number of such examples and one needs to take all this into account. We have proceeded on this basis.

Or, let's say, the prices for bread. With the exception of Tajikistan all Central Asia has retained the previous prices for bread. However, in the process the consumption of flour and bread in the region has exceeded the usual by one and a half times. Meanwhile for the country as a whole the consumption of bread has fallen to the level of the year before last. Therefore we say that there cannot be identical compensation everywhere in the country.

We discussed this question with Comrade Makhkamov. You see, in Tajikistan, as I said, they have introduced new retail prices for bread. And we have come to the conclusion that it would be incorrect to reduce prices but that it would be correct to establish targeted compensation for bread separately and not to lump everything together.

Unfortunately, when we talk about prices and compensation we forget about the other side of the question. Once again I remind you that during the first quarter of this year (we all talk about shortage, about empty counters) R26 billion worth of goods more were sold to the population than in the first quarter of last year. During March alone, this excess amounted to 14 billions. **(Commotion in the hall).**

I am giving precise figures. I know another thing. The all-union organs gave an order that a revaluation be conducted on the Sunday and the Monday before the introduction of the new prices. However, another contrary order followed: not to conduct any kind of revaluation and to work on days off. And the stores operated not only by day. Perhaps, comrades, you don't know that in Moscow they trade at night in doorways? You don't know that in the last two weeks Moscow sold twice as many goods as it usually sells. Instead of R105-110 million a day the earnings reached 210-220 million. And after this you and I are surprised how it is there are no goods. Yes, they have carried off everything from the bases despite the fact that KGB and OBKhSS (Combating the Embezzlement of Socialist Property and Speculation) and worker control brigades were sent there. Therefore, if we want to properly solve the problems we have to look at the facts with our eyes open.

Perhaps you don't know that today the trade system doesn't want to take either meat or sausage at all? Why? Because in the trade system they say: we don't know what the demand will be. They have already forgotten what it is to sell cheese or sausage when the customer asks to have what has been bought sliced. **(Commotion).** But if all this is well known, suggest what to do. I am agreeable to any solution if it will be of any use. But simply to write, to demand, as at a meeting—then what? One needs to look for practical solutions and where to get goods one can give to the people. That's the right solution.

If the rate of compensation is increased, and we examined this question, the amount of compensation in that case will be more than the entire proceeds obtained. All estimates of the dynamics of production growth indicate this.

Another thing. We have thought and we think that in reality one will need to regulate and to refine the compensations in certain regions. It is possible that not everything has been taken into account although in most cases we knew precisely: again our carelessness and lack of organization will manifest itself.

For example, everyone today talks loudly about public catering. The question has been assigned a separate paragraph in the decisions of the Cabinet of Ministers and, let's say, ZIL had beforehand set the compensation for the price increase in the workers' canteen. However, others have not done this! **(Commotion in the hall).**

By the way, the Cabinet of Ministers took a decision a week ago on how to carry out the compensation in public catering and through what, including budgetary institutions. It has been published I think. And I think that questions about compensation rates should be posed somewhat differently. It is possible to get to the point of our refining together the compensation rates, based on the actual expenditures of the population. However, one must be frank even to the end. We know that the compensation for the increase in prices on a per-person

basis is R80. However, it has been agreed that we put in R60 and 65 in order to raise wages for teachers, doctors, librarians, those who work in the nonproductive sphere and those whose status one should equalize at the start. We have come to this consciously in order to help the people who have been undeservedly driven into a corner.

Comrades Popov and Luzhkov have sent me an open letter concerning prices. I have two letters signed by the Moscow City Soviet and the Leningrad Soviet. In one letter is a demand to accelerate the increase in retail prices and in the other a protest against the unjust increase. How ought one to react in this case? Publish them in the newspaper side by side? (**Commotion in the hall**).

Furthermore, if one talks about the approach to prices, then the government, among other things, has abstained from combining the price revision with a revision of the rates for housing, domestic and municipal services. We approached this matter very cautiously and have considered that everything regarding this should not be touched now. So why in this case have individual ispolkoms and local soviets been in such a hurry to revise fares? To combine this step of their own with the second of April?! I suspect that it was done so as to pin the blame for this measure on others on the sly.

Why in the Russian Federation are they silent about the fact they adopted a decision with respect to sour milk products? We have stable prices for them. Then why suddenly did the Russian Federation decide to introduce contract prices? As a result, yogurt with the letter "S" or fruit yogurt costs three times more than the ordinary kind. But all the protests are addressed to the Cabinet of Ministers. The Russian Federation finally rescinded its decision on 6 April—after our protest. But you see they still keep silence about this.

Yes, the question of prices is indeed not an easy one. I would be acting against my own conscience if I said that everything was going smoothly here. But one must understand something else: under the old prices it was simply impossible to fill the counters. I say this responsibly.

M. S. Gorbachev has been quoted here that we first will fill the counters, stabilize the financial situation and then we will carry out a price increase. The advisers who suggested these approaches are no longer around. But, you see, they don't own up to the fact that they insisted on this and wrote and talked in this way! (**Commotion in the hall**).

\* \* \*

Next the prime minister expressed his point of view with respect to a number of formulations of the plenum's resolution. It was suggested with regard to compensations, in particular, that what relates to the all-union cabinet and what to the republics be separated.

V. S. Pavlov recalled that a decision had been taken by the government to conduct a dialog about combining the two reforms—pricing and wages. The cabinet is prepared for any increase in wages provided there is a growth in production.

Concerning problems of establishing a minimum living standard he noted that its magnitude is different in each region. Therefore, at the all-union level one should only determine the system for calculating the minimum living standard, based on the structure of the consumer basket. The regions and the republics, which have the responsibility for this, should calculate the specific amounts.

Regarding proposals to get ready for a wage reform during 1991, the head of the cabinet emphasized the need to first come to an understanding about the content of this reform and the methods for implementing it.

There is a further demand, he continued, that the question of the sources of compensation for the increase in the price of feeding the working people be resolved in April. We have resolved it with the enterprises but it will be necessary to solve it also later on because in fact there may not be enough money for this for everyone. However, such methods of approach will only be in relations with enterprises which operate on stable fixed state prices. We don't intend to give any help to those who operate on free prices. A market is a market. If they consider it possible to use free and contract prices, well then, they should operate without loss and pay the cost of manpower in full.

Next the prime minister touched on a question which he himself called very critical—the legislative proposals about abolishing the five-percent sales tax and the one-percent tax to the pension fund.

In examining the problem, V. S. Pavlov did not refrain from the observation: What, he asked, has the President to do with it here? You see, the USSR Supreme Soviet introduced the five-percent tax. This question was decided at the session of the Supreme Soviet when the forecast of the development of the national economy in 1991 was examined. And if one talks out everything to a conclusion, it is connected also with the pension law, directly connected!

When the draft pension law was introduced it cost R27 billion. Already then it was clear that there was no money or goods for it. But they decided that, all the same, this law ought to be adopted and the resources looked for when the plan and budget drafts were worked out. When the law was considered in the USSR Supreme Soviet, the peoples' deputies said that it was half-hearted and beggarly and that it ought to be corrected. They corrected it and it began to cost R53 billion. They added aid to women and children to it. This is R22 billion more, and in the estimate for 1991—on the order of R6-8 billion.

Meanwhile, the money in the country did not increase. Therefore, when the forecast for 1991 was considered the

question arose of what to do next—postpone the dates for the introduction of the pension law or to introduce it all the same. They acknowledged that the measures envisaged by the USSR Law on Pensions were top-priority and should be carried out in any case. But where to get the resources from? Thus the five-percent tax emerged.

Not accidentally a notation also appeared that the republics are granted the right to determine the list of goods to which the five-percent tax is not to be extended. And from the very beginning the republics have sanctioned such lists. Another thing is that in many cases they have proven to be very restricted. They are now expanding them. The republics have been given the complete right to exempt all goods from the tax. However, I want to emphasize once more: the cost of the five-percent tax exactly coincides with the cost of the new pension law. If you calculate, the five-percent tax on the volume of the trade turnover yields practically R25 billion at the old prices and 50 at the new. If it is abolished, one must decide right away what to replace it with.

Concerning the question contained in the plenum's draft resolution about exempting the assets of the consumption funds and expenditures for the maintenance of health improvement and other institutions from taxation, the prime minister declared: It is well known that there is no money in the budget of the trade unions and that there is also none in the all-union budget. So that exemption from the tax means at the same time a proposal to increase the budget deficit.

The proposal about increasing payments into the social insurance fund was discussed just as keenly. V. S. Pavlov called upon the trade unions to approach these complex problems in a more serious fashion and to do without unnecessary confrontation where possible, utilizing every opportunity for constructive collaboration.

I want to emphasize once more, he said: if we don't resolve the question of increasing production then nothing will come of it for us and we will simply count non-existent money. You see, if there is no production there is no money.

The prime minister dwelt at great length on foreign economic questions. He gave a great deal of attention to problems of the country's foreign indebtedness.

In conclusion V. S. Pavlov expressed his attitude towards the proposal that payments into the social insurance fund be increased to seven percent. He recalled in this connection that there is now only R359 million in the stabilization fund while there should be 114 billion. Judge for yourselves—is it possible to satisfy the demand of the trade unions through this fund?

And I want to say once again: dear comrades, if you and I don't solve the questions of increasing production then nothing will come of it for us. You and I will count non-existent money. All the republics have declared that

they are not transferring money to the all-union government, not because they don't want to but because they don't have it. No production—no money. That's the entire question. Production is falling and once production falls, where will the money come from?

Therefore let's sit down together and calculate. I know that you have people who know how to calculate quite well. If you trust them, form a commission which will sit down with us and calculate. If it writes that there are resources, we will give them up. If it thinks that there are no resources—you withdraw your demands. That's my proposal.

### **TU Confederation Statement on Guarantee of TU Rights**

*914F0193A Moscow TRUD in Russian 16 Apr 91 p 1*

[Statement by the Second Plenum of the Council of the General Confederation of Trade Unions of the USSR: "Concerning State and Economic Authorities' Unswerving Compliance With the USSR Law 'On the Unions, Rights, and Guarantees of Their Activity'"]

[Text] The plenum of the Council of the General Confederation of Trade Unions of the USSR observes that trends toward disregarding the rights of unions as they pertain to protecting the interests of the working people are being manifested increasingly distinctly in the activity of state authorities. Attempts to limit the basic authority of the unions are even being made on the part of the highest organs of state power and administration.

Thus the USSR law "On Revisions and Additions to Legislative Instruments of the USSR on Labor," adopted by the USSR Supreme Soviet, has in fact canceled out the unions' right to counter the unlawful dismissal of working people. The right of a trade union committee to give its prior consent to dismissal, enshrined in Article 8 of the USSR Trade Unions Act, has been replaced by consideration of the union's opinion, nonbinding on management.

The demands of the 19th USSR Trade Unions Congress on granting the trade union committee authority pertaining to compulsory agreement on questions of working people's dismissal were taken into consideration upon the enactment of the Unions Act. The unions insisted on this with regard for the transition to market relations and the impending mass release of workers in connection with the structural rearrangement, the reorganization of production, and the elimination of unprofitable enterprises. We regard this guarantee as an important component of the social protection of the working people under the conditions of instability of the economy.

The plenum of the Council of the General Confederation of Trade Unions of the USSR demands that the president of the USSR send the USSR law "On Revisions and Additions to Legislative Instruments of the Union of

SSR on Labor" back to the USSR Supreme Soviet for repeat discussion for the purpose of bringing it into line with the Unions Act.

The unions regard as an anti-worker offensive a number of the proposals concerning revisions and additions to the USSR law "On Procedure for the Solution of Collective Labor Disputes (Conflicts)" being considered at this time in the commissions and committees of the Union parliament.

They propose depriving the working people and trade union activists who have participated in strikes of guarantees against unfair dismissal provided for by Articles 18 and 99 of the Fundamentals of Labor Legislation; applying to them sanctions in the form of a break in the period of work for the accrual of leave, allowances for work in areas of the Far North and equivalent areas, and compensation for length of service. Criminal and administrative proceedings for participation in an illegal strike not only against the organizers but also members of trade union outfits are envisaged.

At the same time, no constructive proposals pertaining to the timely settlement of mass labor conflicts in sectors and regions of the country are submitted. At present these conflicts are most serious and are developing into strikes to a considerable extent because of the absence of a precise, well-oiled mechanism for their examination.

The plenum of the Council of the General Confederation of Trade Unions of the USSR considers that to solve such conflicts it is necessary to create conciliation commissions of representatives of the unions and state organs of administration at the Union, republic and regional levels.

Only at the negotiating table may an accord between the parties to a conflict be achieved.

Under the conditions of the extraordinary, crisis situation in the country the plenum of the Council of the General Confederation of Trade Unions of the USSR deems discussion of this law premature. It needs to be considerably reworked and requires qualitatively new approaches to a solution of the problems of the strike movement. After all, the main cause of strikes today is the rapid decline in the working people's living standard.

The plenum of the Council of the General Confederation of Trade Unions of the USSR demands of the president of the USSR and the USSR Supreme Soviet an assurance of unswerving observance of the rights of the unions and the adoption of radical decisions forestalling mass labor conflicts, which would lead to the necessity of using extreme means for their solution.

The plenum of the Council of the General Confederation of Trade Unions of the USSR expresses emphatic disagreement with the actions of the state authorities which fail to take account of the new status of the unions and which ignore their authority and are geared to a limitation of the working people's labor and social rights.

### **TU Plenum Support for Striking Miners**

914F0193B Moscow TRUD in Russian 16 Apr 91 p 1

[Statement by the plenum of the Council of the General Confederation of Trade Unions of the USSR: "Support for the Miners' Strike Movement"]

[Text] The plenum of the Council of the General Confederation of Trade Unions of the USSR expresses worker solidarity with the protests of the country's miners' outfits in defense of their rights and legitimate interests and supports their just socioeconomic demands aimed at an improvement in the material situation of the miners and their families and the speediest solution of the accumulated problems.

The participants in the plenum believe that any delays in realizing the agreements reached on these issues and procrastination on the part of officials and also biased coverage of the situation which has taken shape in the coal regions by individual mass media not only are not contributing to a normalization of the situation but could lead to a new spiraling of tension.

The parties' unconditional fulfillment of the commitments they have assumed within the agreed timeframe, a further search for compromise and objective information—this is the only practicable way out of the impasse.

### **Ukrainian People's Council Appeals for Miners' Guarantees**

914F0194A Kiev LITERATURNIA UKRAYINA in Ukrainian 28 Mar 91 p 3

["People's Council Statement on the Subject of the Ukrainian Miners' Strike"]

[Text] The miners' strike has aggravated the political and economic situation caused by the colonial dependence of the Ukraine on the Center. The coal industry itself has been ruined by the use of obsolete technology without capital investment for modernization and improvements in living conditions. This has led to a sharp decline in the living standard of the workers in one of the most difficult professions. Increases in prices, difficulties with supplies of prime necessities, the indeterminateness of the fate of the Ukraine and of the democratic processes in our society, attempts to use military force to resolve the conflict between the Center and republics that aspire to independence, and attempts to preserve a unitary state have led to mass miners' strikes which continue to grow.

During meetings with representatives of the striking collectives the People's Council became convinced that the miners are aware of the drama of the situation resulting from the strike but are simultaneously persuaded that without resolution of the political problems of the democratization of our society and, in particular, without implementation of the Law on the Economic Independence of the Ukraine and of the urgent demands to increase wages, it is impossible to resolve the problems of the half-ruined coal industry.

In his speech on television, V.P. Fokin, chairman of the government, said that the republic does not have the economic capability to fulfill the demands of the miners with regard to increasing wages.

What are we really talking about? As a base, let us take the level of consumption of a miner's family with three people (father, mother, and one child) where only the father works. Approximately 180-200 rubles [R] per month used to be required to feed them on a more or less steady basis. That is equal to the minimum wage, which is what of some of those who work underground make even now! This is why the economic demands of the strikers appeared more than a year ago. When the leadership of many of the mines and the associations "joined" the strikes, some demands of the industry as a whole were satisfied; but not those of the people without whom it cannot exist. And now the representatives of the Supreme Soviet mining administration, together with the majority of the Supreme Soviet, are not presently taking any part in the resolution of the strikers' issues.

If one takes into consideration the new prices (and everyone knows who it is that will be able to purchase meat for R7), the aforementioned family now needs R450 per month to feed itself. We will subtract R200 of compensation (80 + 60 + 60—will the nonworking wife of the miner receive compensation?). As a result, one must spend R250 from one's wages just for food. Thus, the minimum wage should be no less than R500. At present the average miner's salary is significantly lower than this!

Some questions arise. Is it really true that none of the people in the government who are working on miners' affairs know how to calculate? And if they know, then why has the government not informed the people that the statistical information on the 200 grams of meat that is supposedly the per capita consumption of the population of the Ukraine is false and that we are not able to provide the miner with 300 grams of meat and his wife and child with 200 each? Or perhaps they know how to calculate and the statistics are not false, and the government is deliberately manipulating public opinion and pitting it against the strikers.

Whatever the answer, the People's Council believes that the Supreme Soviet should guarantee the miners that the smallest wage will provide for a "consumer basket" at least at the 1989 level and that the average wage will increase correspondingly. Together with the government, the Supreme Soviet should create a joint committee authorized to determine and display to the population the condition of the economy that will arise in the Ukraine in the very near future. The goal of the commission should be to work out proposals for measures which should be implemented immediately in order to avert complete economic collapse. The sequence of events which may bring us to that are easy to observe even now: strikes, and not just miners' strikes; the collapse of industrial production and afterwards food

production, huge shortages of food and prime necessities, paralysis of the economy, and an increase in political tensions. No dictatorship that refuses to try to resolve issues of state sovereignty and to change the economic system will be able to save us from this.

The People's Council summons not only the government but the parliamentary majority as well to urgent action. With the aid of the people we need to apply steps to change the course of events for the better.

### Some Krasnoyarsk Miners Reject Strike Call

*LD1804110191 Moscow All-Union Radio Mayak  
Network in Russian 0900 GMT 18 Apr 91*

[Text] A split is appearing among Chernogorskiy miners in Krasnoyarsk Kray. This is reported by our correspondent.

The coordinating council of coal workers adopted a decision to start a strike on 14 April. After this, meetings of labor collectives were held at the Cherogorskiy open-cast mine and at the Khakasskaya and Yeniseyskaya mines. In particular, workers at the Chernogorskiy open-cast mine supported the demands of Kuzbass miners for the resignation of the USSR president and the USSR government for conducting an anti-people's economic policy.

However, the final decision was as follows: not to strike, but to attain the fulfillment of the political demands by parliamentary methods by way of involving deputies of all levels.

The majority of miners at the Khakasskaya mine also decided that there is no need to hold a strike. They proposed to convene an All-Russian miners' congress, where it would be possible to work out joint demands to the government. The Yeniseyskaya mine reached the same decision.

Our correspondent notes that here they still remember how, during a day-and-a-half strike, the miners lost R130,000, for which, of course, the labor collective has not been compensated.

### Soligorsk Miners' Strike Cost Over R9 Million

*LD1604092191 Minsk Domestic Service in Belorussian  
1725 GMTD 15 Apr 91*

[Text] The recent political strike by Soligorsk miners cost the country dearly. In six days of stoppage, the pits of Belorusskalyi Association underfulfilled the plan by 730,000 tons of sylvinit. Apart from this, as a result of other missing raw materials, factories were forced to stop production. In turn, at the height of the sowing campaign, peasants received a shortfall of 92,000 tons of mineral fertilizers. Thus, if one adds to this the various fines for undersupply to the customers of ready produce, and the standing idle of railway and automobile transport, the general figure of losses is more than 9.2 million



rubles. This sum could provide all the Soligorsk salt miners with free food and transportation for one year.

### Measures to Strengthen Consumer Co-op Output Suggested

914F0192A Moscow *TORGOVAYA GAZETA*  
in Russian 13 Apr 91 p 2

[Interview with S. Lipskiy, candidate for USSR people's deputy, by *TORGOVAYA GAZETA* correspondent Yu. Yudin in Novosibirsk: "'Only Deeds, Not Words and Rallies, Will Help Make Life Better'"]

[Text] It did not occur to Stanislav Lipskiy, a 19-year-old lad from a village with the endearing name of Kudelnii Klyuch, that as he walked into the Bortsovo rural cooperative store in Novosibirsk Oblast he was choosing his destiny for the rest of his life. At that time, he figured that he would work there until he was drafted into military service, and then—who knows...

Now it is clear that he is there to stay, with the consumer cooperatives. On his return to his native parts he worked for 10 years in the Toguchinsk Rayon consumer society while he graduated by correspondence from the Novosibirsk Institute for Soviet Cooperative Trade. Although the path of his destiny made a few detours (he served as a deputy chairman of the rayon executive committee, worked in the oblast executive committee apparatus, and then, since 1985, was deputy chairman of the Novosibirsk Oblast Executive Committee), it is now more than two years since he returned to cooperative trade—for good, he thinks. He is the head of the oblast union of consumer cooperative societies board, and has earned such respect from his colleagues that they nominated him for USSR people's deputy from the consumer cooperatives organization.

What does this candidate for deputy think about the fate of the country and society in this complex watershed period of our history? Where does he see the role of consumer cooperatives in the market environment? These are the topics our *TORGOVAYA GAZETA* correspondent discussed with S. Lipskiy.

[Yudin] Stanislav Ilich, let us start with an unexpected question: your attitude toward the miners' strike. After all, the Kuzbass is our neighbor. Or does this strike not affect consumer cooperatives in any way?

[Lipskiy] Does it not? Do you know how I start my workday these days? I pick up the phone and call the rayons: How is your coal situation? Many of our enterprises and bakeries on the periphery are left with two to three days supply. And what will happen if there is no bread in the stores tomorrow?

I agree that the miners' demands are fair in many respects. I have been to the Kuzbass more than once, and I know how they work and live. They need help. But did they choose the right method of solving the problem?

And do rural working people live much better today?

I have some figures for the current year right here. Oblast rural residents will receive only 55 percent of the motorcycles, 60 percent of the refrigerators, 30 percent of the sewing machines, and so on, in comparison with last year. How can one get rural workers interested in producing food products for these same miners?

And how should we react to the complete absence of goods to redeem "Harvest-90" checks? Here, in Novosibirsk Oblast alone, 133 million rubles' [R] worth of such checks have been issued to rural residents. As of now, we cannot redeem a single one—there are no goods.

Let us be objective: life is hard for everybody now. But strikes are not going to feed and clothe us—this is clear to anyone. We will only live better when instead of words and rallies we get down to business.

[Yudin] What does "get down to business" mean when applied to consumer cooperatives?

[Lipskiy] Today, in the environment of a transition to the market and a multisector economy, it is impossible to work the old way. We will simply not survive; we will go bankrupt. Therefore, I would put a decisive revision of our relationship with the state as our first task.

As is known, 38 percent of our profit is taken away in the form of a tax on profit. Plus a number of other, in my opinion extortionate, deductions.

Let us look, for example, at our union of consumer cooperatives. Last year we made R28.8 million profit. Of that, we gave back R7.1 million right away in taxes. Almost R1.8 million was payment for labor resources; over R1 million—deductions for road work and transportation tax; another R400,000—mandatory contribution to the Rospotrebsoyuz [Union of Consumer Cooperatives of Russia]; and almost R2 million—maintenance of the education system. And this is a far from complete list of what is being taken from us, quite often without our consent.

Is it fair that compensation related to the price increase—which was imposed by the state—should come out of our own profits? We calculate that we will have to allocate almost R27 million for the current year for this purpose alone if we want to somehow protect our workers from a decline in their standard of living. And what do we do then with expansion and how do we deal with social issues?

Unfortunately, the state still looks at the consumer cooperatives not as an ally capable of raising the standard of living in the rural area but as a mere milch cow.

In my opinion, the state should support us not only by means of financial preferences but also through priority allocations of technology and the necessary equipment for our procurement and processing enterprises. This is the only way to expand the production of consumer goods from local resources.

But what do we have in reality? For instance, as part of conversion the Krasnoyarsk machine-building plant started making meat-processing equipment. It is cumbersome, and the price "hurts." But what can we do? We take it. There is no alternative, just as there is no hard currency to buy modern foreign-made equipment.

I believe that the burden of delivering products to Union and republic stocks should be taken off the consumer cooperatives. Our "state order" for potatoes, for instance, comprises 70 percent of the total procurement volume. Why should we substitute for kolkhozes [collective farms] and sovkhozes [state farms]? For instance, having procured the same potatoes from the local population I could nicely go to, let us say, Central Asia and in exchange get fruits and vegetables that are so needed by the residents of Siberia. But we cannot do this—there is this "state order!"

All in all, the consumer cooperatives should not be surrounded from all sides—like an ambushed wolf—by "state orders" and taxes. They should be allowed to develop in a most-favored regime; the hands of cooperative members should be untied. Then we will enter market relations without fear.

[Yudin] Stanislav Ilich, are we not used to blaming everything on the state too much? Do people in consumer cooperatives—from the rural cooperative store up to the Tsentrosoyuz [Central Union of Consumer Cooperative Societies] level—do everything possible on their own?

[Lipskiy] There is no question that we have to—and can—solve on our own many problems in the cooperatives union, its management, and the forms and methods of its work. And we do have people with initiative.

In my opinion, the structure of the consumer cooperatives organization needs to be changed. Both the Rospotrebsoyuz and Tsentrosoyuz should release some of their functions "downward," and clearly delineate "spheres of influence." I would not rush ahead, however, with the question of how to divide cooperative property. Cooperative property is collective property by definition. Why should we divide it?

We need to give members more stake in the effective work of rural cooperative stores and rayon societies of consumer cooperatives in the environment of a market economy. We need to think, for instance, about an increase in dividends per share—perhaps by increasing the initial membership share.

And, of course, we should move more firmly toward leasehold arrangements and the creation of small enterprises and individual farms within the cooperative system. For instance, there are already 42 stores in our oblast that work on a leased basis. Even those that were unprofitable before are bringing in profits since they switched to leasing.

I understand that transition to the market will not be easy for members of consumer cooperatives, or for any of us for that matter. Therefore we will make a special effort to create a program for the social protection of our workers. We have already made a decision to allocate money to subsidize meals in workers' cafeterias, and we are trying to resolve issues related to the increase in benefits and compensation payments.

Of course, the difficult financial situation in which the consumer cooperatives find themselves today makes us ask quite seriously: Where are we going to get the money needed for all these purposes? Nevertheless, concern for the working people and their protection remains our main task.

### **TU Seminar on Fate of Consumer Co-ops, Privatization of Trade**

914F0192B Moscow *TORGOVAYA GAZETA*  
in Russian 13 Apr 91 p 2

[A. Aleksandrov report on speech by Yu.M. Marinichev, USSR people's deputy and chairman of the board of Moscow Oblast Union of Consumer Cooperative Societies, at a trade union activ seminar in Volgograd: "Trade Should Not Be a Scapegoat: A Deputy's Point of View"]

[Text] Yu.M. Marinichev, USSR people's deputy and chairman of the board of the Moscow Oblast Union of Consumer Cooperative Societies, spoke at a regularly scheduled seminar of the trade union activ conducted by the Moscow Oblast trade union committee of our industry.

Speaking about the parliamentary activity of the 40 people's deputies elected from consumer cooperative societies, Yuriy Mikhailovich noted that they do not limit themselves to issues of interest only to those who work in the rural trade; they feel that they also represent the state trade system in this highest national state organ.

Yuriy Mikhailovich attributed the worsening trade situation to the decline in the volume of output produced by industry and the agro-industrial complex. Another factor was a sharp reduction resulting from lack of hard currency for purchases of imports.

"Our common problem today is that there are not enough goods, or none at all," said Yu. Marinichev, "and we have to inform our compatriots honestly of this; we also have to explain what is being done to improve the situation, instead of making the trade sector a scapegoat—as the 'top' and the mass media have been doing for some years now—toward which growing popular discontent over the empty store shelves can be channeled."

Unfortunately, said Yu. Marinichev, many people's deputies of all levels, including those in the national parliament, share this tendency. This position manifested

itself clearly during the preliminary confirmation hearings on the appointment of Z.K. Terekh to the post of USSR minister of trade. In addition to actual shortcomings that do exist, a number of deputies tried to blame him for all the failures in the national economy.

It is a dangerous illusion that a change in leadership of the trade sector will enable us to fill up store shelves and counters. Such an approach has already resulted in replacing 13 out of 15 Union republic ministers of trade, but the situation with the supply of consumer goods not only has not improved but on the contrary has worsened.

Yuriy Mikhailovich said that both he and his comrade deputies from the consumer cooperatives are fighting attempts to discredit in this way the industry and its members, who are predominantly honest people. This position was expressed in their efforts to oppose the passing of two laws, one after another, on combating speculation and other abuses, by the USSR Supreme Soviet.

The crux of the matter is not a desire to cover up the real faults of the trade sector but the tendency clearly seen in both documents to make the whole of the industry suspect. Is such an opinion not disproved by the fact that during the entire previous year a campaign to uncover trade violations—which included the participation of the KGB, the MVD [Ministry of Internal Affairs], and millions of inspectors from the trade union workers control and others independent of them—uncovered only 40 million rubles' worth of violations, with the industry's daily turnover of 1.2 billion rubles. So, is it the trade sector that, although not without shortcomings, should be forced to shoulder the bulk of the blame for the empty store shelves?

Speaking about his position in parliament and the views he is defending, Yu.M. Marinichev pointed out, for instance, his stand against the course of prematurely forcing the development of factory outlet sales, when producers, in order to avoid giving discounts to retail trade, concentrate goods in short supply—for instance, sophisticated appliances—in their own stores, thus violating the principle of social justice and negatively affecting the interests of the regions outside their enterprise zone of operations.

The deputies actively oppose, and will continue to do so, the adoption of that part of the draft law "On the Protection of Consumer Rights" which in its first reading places all the responsibility for poor quality goods and the cost of exchanging them on the trade sector alone, essentially relieving producers of these responsibilities. Should this law be adopted, the situation with regard to product quality can only get worse.

Another major problem deputies from consumer cooperatives have to tackle is a decision that has been in existence for some time, which permits kolkhozes [collective farms] and sovkhoses [state farms] to count

animal husbandry products they buy from the population towards fulfillment of their state procurement targets. By offering the suppliers higher prices than those consumer cooperatives can afford to pay, they thereby make this mythical increase in production a window dressing that conceals the sad state of their own animal husbandry.

Yu. Marinichev also made clear his position on the retail price increase. We have to honestly inform the people, he said, that compensatory payments will only partially make up their losses resulting from the reform; that we are talking about a temporary, albeit forced, decline in living standards; and that we have to do everything possible locally to increase the size of compensations paid to the populace—as they have been able to do, for instance, at the Mytishchi plastics plant, where compensatory payments were made twice as high as the state-mandated levels. As to the deputies from consumer cooperatives, they should make every effort to implement such solutions in their own industry.

In conclusion, Yu.M. Marinichev answered many questions from seminar participants. We include some of them below.

[Question] What is your position on the privatization of trade?

[Marinichev] We need it, of course. But we should not rush into it. We have no intention of conducting a campaign-type program to disband the cooperatives. Instead, we will give our enterprises maximum independence.

[Question] How will changes in trade discounts affect the situation in the trade sector?

[Marinichev] In general, positively. Unless we face a serious decline in demand because of the sharp rise in prices of a number of goods, for instance, furniture.

[Question] What do you think about the contract system of hiring?

[Marinichev] This is the right way; it is a serious incentive for people to show their abilities. We will actively implement it.

[Question] What is your position in regard to the five-percent sales tax? Will popular discontent increase because the tax will be even larger, now that prices are going up?

[Marinichev] The decision to impose such a tax was not made casually. This is a part of urgent stabilization measures. On the other hand, such a tax—ranging from five to 12 percent—exists in all countries. By the way, the epithet "presidential" that was popularly attached to this tax is incorrect in principle. A large part of the income from this tax goes into republic and local budgets. I do believe, however, that after the introduction of higher retail prices this tax should be repealed, since it

will be absorbed manifold by these new prices. It should also be repealed because now this five percent has become 15-20 percent.

[Question] Have you spoken at the USSR congresses of people's deputies?

[Marinichev] Yes, at the first and the fourth congresses. It is extremely hard to get an opportunity to speak there, though. I had to get to the podium not so that I could be

on television but because the issue was vitally necessary to our industry. There are, however, parliamentary committees and commissions, so the problems that are of concern to the trade sector can be brought up there, and by doing so their solution can be, as they used to say in the old times, contributed to, or accelerated. I also have to work a lot defending the interests of the trade sector in the central organizations: the Ministry of Finance, planning organs, and the national Cabinet of Ministers.

## CIVIL AVIATION

### Tajik Aviation Complex Defended, New Plans Criticized

914H0138A Dushanbe KOMMUNIST  
TADZHIKISTANA in Russian 21 Mar 91 p 2

[Article by F. Mukhamedov, general director of the Tajik Aviation Association, and I. Zernopolskiy, chief of a branch of the Moscow Machine Plant imeni A.I. Mikoyan: "Does the Republic Need an Aviation Plant?"]

[Text] Dushanbe City—A little history.

In June 1982 a protocol was signed between the republic government and the USSR Ministry of the Aviation Industry entitled "On the Construction of the Tajik Machine Plant (TMZ) in Dushanbe City."

In August 1985 a draft plan was approved for a plant employing 7,500 people, along with housing, social, and cultural facilities and housing for 20,000 people, with apportionment of projects completed and construction of the plant through the year 2000.

In 1985 a start was made on the preparatory work: by decision of the Council of Ministers 22 hectares of irrigated plowed land in the southern part of the city were allocated for the construction of the plant.

On 31 December 1986 a branch of the Novosibirsk Aviation Plant was created in Dushanbe.

In 1989 the branch was reorganized as the Dushanbe Machine Plant (DMZ) and realigned from the production of defense-related output to the production of consumer goods.

In June 1989 a branch of the Moscow Machine Plant imeni A.I. Mikoyan was again organized in Dushanbe City to work with complex consumer goods and two- to four-seater light aircraft, using a unified "development—testing—series production" technological cycle.

In July 1990, the Sitara Tajik Aviation Association (TAO) was set up on the basis of the existing Dushanbe Machine Plant and the Tajik Machine Plant which is under construction, for the purpose of legitimizing construction of the Tajik Machine Plant as an expansion of the existing enterprise.

On 22 October 1990 the republic Council of Ministers Department for Heavy Industry and the Introduction of Scientific and Technical Progress submitted to the presidium a proposal entitled "On the Expediency of Building the Tajik Machine Plant at the Tajik Aviation Association." A decision on the matter was postponed until the end of the year.

As they say, they came...

The question that will be asked is this: What does this story mean, and does the republic need an aviation

plant? But since nothing has previously been written by the press about the development of this sector, it is necessary to talk, at least briefly, about what we, the Tajik Aviation Association, are.

**The Dushanbe Machine Plant** (200 employees, output—we draw your attention to the rate—700,000 rubles [R] in 1989, R1.7 million last year, and R3.5 million this year) produces cornices, storage shelves for bakeries, and rocking chairs, and in 1991 will be producing baby carriages and serving tables. Everything is manufactured using aviation technology and "is spoken for" before it is made.

**The Tajik Machine Plant** (200 employees, including 150 in the personnel training center; projected indicators for the first complex brought on line: total number of workers 730, annual output R13.4 million) is designed to produce domestic and industrial solar devices, aviation kits [aviakomplekty], and two- and four-seater aircraft. Construction time is 37 months with required capital investments of R21.4 million.

**The branch of the Moscow Machine Plant imeni A.I. Mikoyan** is engaged in the development of a mass-produced two- to four-seater aircraft, and various kinds of solar devices of various efficiencies. The work is being funded by the USSR Ministry of the Aviation Industry. A contract has been drawn up with the Tajik Civil Aviation Administration to develop an aircraft for local air routes, under the methodological leadership of the head firm in Moscow.

**The personnel training center** was set up at the plant under construction to provide training for skilled workers. During the period 1987-1990 about 700 workers from aviation plants in Komsomolsk-na-Amure, Irkutsk, Novosibirsk, Kuybyshev, Moscow, and other places attended the center. Under today's conditions our enterprise has no shortages of skilled personnel.

What were our plans? Under the conditions of conversion of the defense sectors, the combined efforts of the republic government and the USSR Ministry of the Aviation Industry were to build the utilities and the first unit of the Tajik Machine Plant during 1991-1993.

So, do we need to demolish a new industrial sector while it is still in the process of being established, in the hope of creating another enterprise for local industry on its debris? The consequences of such a "step" are already very clear. Moral and material harm will be inflicted on the collective at our aviation association. It is proposed that everything that we have created by our own labor and enthusiasm be withdrawn and transferred to another ministry, department, or enterprise (Clause 3 of the draft Council of Ministers resolution): reallocating property is, of course, easier than creating it. With the halt in the construction of the Tajik Machine Plant, 200 people will be put out of work, including 150 skilled workers at the personnel training center, and the Sitara Tajik Aviation Association will legally cease to exist.

Following the proverb, "it's no use crying over spilt milk," the Ministry of the Aviation Industry is pleased to support this "progressive decision," and at the same time is proposing that the Dushanbe Machine Plant, which is already capable of producing consumer goods worth R4 million to R4.5 million, also be taken. First the plant will be deprived of stocks of materials and technological support from the aviation industry. Another 200 people will be out of work.

The next question to arise is this: So why do we need the Mikoyan branch? Without production facilities or prospects, the branch that develops prestige, up-to-the-minute aviation gear will have to be closed. There you have it—our Department of Heavy Industry and the Introduction of Scientific and Technical Progress.

Does not trend toward retrogression degrade our thinking to the level of medieval guild production? Or are these practical steps to break the links with the center?

The main motive for the opinion that it is inexpedient to develop the aviation sector in the republic is this: the Ministry of the Aviation Industry is not meeting its obligations, and the 27 hectares of land withdrawn from crop use since 1985 are causing harm to agriculture.

But here, perhaps, it should first and foremost be a matter of the weakness of the construction base of the general contractor—the republic Ministry of Construction. In the very first year of construction, 1985, the construction-and-assembly work plan crashed, even though in 1984-1985 it had received R2 million of the R5.5 million earmarked specially to develop its own base.

Now this is already affecting the attitude of some leaders in the Ministry of the Aviation Industry toward Tajikistan and its ability and the desire of its indigenous population to work at the aviation plant. This is the psychology that we have started to break by the surprise inspections conducted by our special teams to plants in the aviation industry, and also by developing test models of the mass-production two- to four-seater Sitora-1 aircraft at the Mikoyan branch, whose maiden flight would offer a decisive argument in favor of the new sector being born in Tajikistan.

And the main argument in favor of the Tajik Machine Plant is that it was initially being built as an accessory plant for life-support systems for aircraft, helicopters, and space vehicles—the only specialized enterprise of its kind.

The overestimation of the values allocated for human needs, housing construction, and the production of consumer goods that started along with perestroika sharply curtailed investment in the defense industry and the construction of defense industry projects. Under these conditions, on the advice and with the support of K. Makhkamov, president of the republic, we started

restructuring and re-planning and making new agreements with the Ministry of the Aviation Industry and the USSR State Planning Committee [Gosplan] to build a plant to produce consumer goods.

Despite the difficulties we have not just sat there waiting: With the support of our ministry, in 1987-1989 we used our own assets to build the Dushanbe Machine Plant and bring it on line, and we pried loose from the USSR Gosplan lightweight metal structures (ready-made buildings for plant delivery) to cover an area of 20,000 square meters, of which we have now assembled 15,000 square meters, and built a five-kilometer power transmission line and temporary utilities. We have in our hands a new plan for a commodities plant, and finally, we have the able-bodied collective of the engineering-and-technical section and skilled workers. And they tell us: enough, lads, let us make a businesslike change here by transferring the property you have created through your own labor.

The following was written in a draft proposal from the erstwhile Council of Ministers department: "The output it is planned to produce is not essential goods, and a significant proportion of it (aircraft, aviation kits, and so forth) will be sold outside the republic." Economic nonsense. So what are essential goods—just costume jewelry, little mirrors, imitation gem stones, flat irons? According to that logic, God forbid Tajikistan should start to produce and export aircraft to other republics! And throughout the entire world this is the highest indicator of a developed industry: 1 kilogram of the weight of an aircraft is worth \$500, while the figure for a car is \$10.

The USSR aviation industry is one of few competitive sectors in the foreign market. A four-seater aircraft like our Sitora-1 costs \$50,000 to \$70,000 on the foreign market. In barter deals it could be used to obtain goods worth half a million rubles.

And where will the domestic and industrial solar devices go, or are they also not essential for the republic and the country? According to our research, with the participation of foreign partners and the Tajik SSR Academy of Sciences, it is precisely these kinds of products that should be put on the market.

Generally accepted products such as baby carriages, rocking chairs, shelving, step-ladders, and cornices make up the bulk of the association's program. They are greatly needed by the republic, both for the domestic market and for export to the world market. We cannot take a prejudiced view of the aircraft: They are needed by the republic and the association to develop aviation technology, train personnel, and for practical research in a basically new market—light aircraft.

While justifying the advisability of building the Tajik Machine Plant, the draft resolution remains silent about our proposal: A first startup complex to produce products worth R13.5 million to be built using bank loans. Moreover, it should not be forgotten that the plant will

include the construction of large utilities needed not only by us but also by the infrastructure being put in place in the southern part of the city and essential for housing and production facilities. I cannot imagine how else they will be built.

Thus, our proposals. In the common interests of and with shared participation by the interested ministries and departments in the republic, during 1991-1992 to build utilities in the southwestern part of Dushanbe City in order to develop housing construction and production capacities. Earmark 15 hectares for the Tajik Aviation Association and the Mikoyan branch at the territory of the Tajik Machine Plant with its existing production premises. Using its own assets and bank loans the association will assume the job of bringing the Tajik Machine Plant on line to produce consumer goods worth R10.5 million by 1995.

The new industrial sector in the republic must be developed. The essential conditions and justification exist for this.

## RAIL SYSTEMS

### Rail Minister Discusses 1991 Operations Plan

914H0140A Moscow PRAVITELSTVENNYY  
VESTNIK in Russian No 10, Mar 91 p 4

[Interview with USSR Minister of Railways N. Konarev by PRAVITELSTVENNYY VESTNIK correspondent V. Belyayev: "Do Not 'Yield' Selective Telephones!"]

[Text] The USSR Cabinet of Ministers has reviewed the issue of the state of affairs in railway transportation and measures to ensure its smooth operation in 1991. Our correspondent asked USSR Minister of Railways N. Konarev to comment on the results of the discussion.

[Belyayev] The USSR Cabinet of Ministers recently analyzed the condition of a number of basic economic sectors. The discussion of railway transportation was a part of this. As you see it, why is the USSR government paying close attention to these main subdivisions of the national economy right now?

[Konarev] The reason is quite serious: the need to, as they put it, synchronize our watches is due to the switch to market relations. This necessitated consideration at the government level of the state of affairs in the basic sectors of the national economy, without which entering the market is simply inconceivable.

The peculiarity lies in the fact that, unlike, for example, the garments industry or the service sphere in which we may embark on the path of privatization or denationalization, the basic sectors—the power industry, communications, and especially transportation, not only railway transportation but also pipelines and maritime navigation—should remain under state control. The delineation of railway transportation on, for example, the regional principle is absolutely impermissible (such ideas

are sometimes voiced) because their implementation will not only disorganize the operation of the sector but will plunge the country into chaos.

[Belyayev] What can you tell us about the readiness of railway transportation to operate in the environment of market relations?

[Konarev] The first weeks of this year revealed just how difficult the situation associated with a new orientation and a new structure of economic relations in our state is. Problems that were not taken into account in the preparations for switching to market relations turned out to be so massive that the following assertion was made at an enlarged meeting of the Ministry of Railways Collegium held the day before our affairs were considered by the Cabinet of Ministers: railway transportation is facing the most difficult situation, and, figuratively speaking, it needs to be rescued.

All these issues were aired with great candor both at the meeting of the Ministry of Railways Collegium and in the course of the discussion of our situation by the USSR Cabinet of Ministers. Strange as it may be, many people in our sector have not yet grasped these issues, and some simply do not perceive them.

The state has now actually abandoned the system of subsidies it used previously. Railway transportation will now receive no more than one-half of the funds it previously received from the state budget. The railroads and Ministry of Railways enterprises will have to earn the rest themselves. What for? In order to pay wages—let me stress that they will be higher than they are at present. Let me note that at present railway transportation ranks 12th in the level of wages among 19 basic sectors.

[Belyayev] As is known, a plenum of the central committee of the branch trade union held on 27 February demanded that the ministry increase wages as soon as possible...

[Konarev] ...and we cannot but agree with such demands, which have been made by labor collectives and the trade union, as I said at the meeting of the USSR Cabinet of Ministers. The difficult work of railroad personnel, which entails constant psychological stress and danger to life, work which they carry out under all weather conditions, is not fully compensated through wages. However, resolving this issue in the form in which it was raised at the central committee plenum is problematical because this requires 4.8 billion rubles. Where are we to get it?

The situation may grow still worse if we take into account the fact that this year an extraordinarily harsh system of accumulating the labor remuneration fund has been introduced, and the volume of traffic has declined. According to calculations it is necessary to release 181,300 people in order to preserve last year's wage levels in the first quarter of this year. However, this is impossible from either the social or production point of view.

Funds are also necessary to improve housing and the social living conditions of transportation employees. However, this is not all. We will purchase rolling stock, locomotives, and equipment for main lines and enterprises primarily with the funds we earn.

[Belyayev] So, Nikolay Semenovich, what is the problem? Earn them... Transportation is your main product. Increase it, and there will be more funds. After all, you hear all the time: There are no cars, tank cars, or containers here, there...

[Konarev] Such things do indeed happen on a number of railroads, and this comes to light when the managers of enterprises failing to deliver products want to justify themselves. However, there are many specific examples which indicate that both the railroads and the ministry work without due dispatch and responsibility. There have been cases in which railroad workers do not even accept for transportation products that are ready to be shipped. Given the shocks our economy is going through, this is punishable to the fullest extent of the law.

On the other hand, how can transportation be increased when the volume of product output is declining precipitously? This is affecting transportation in a most direct manner. Here is an example. In the last three and a half months so little freight has been carried on the Donetsk Railroad that we may say that the railroad has altogether failed to work for 40 days.

The situation is similar on virtually the entire network. Thus, the Belorussian Railroad had to reassign 200 locomotive engineers to other railroads in order to retain its contingent of specialists. Hundreds of other specialists are away on temporary duty. The volume of operations on the railroad has declined abruptly.

You said it right: transportation is our main product. However, on 14 February the Collegium came to this conclusion: at present, we can no longer cater to transportation alone. We acknowledged that anything generating profits should be our main work.

[Belyayev] Apparently it is quite difficult for the railways. After all, the collective of a locomotive depot will not set up a brokerage cooperative, will it?

[Konarev] Of course, this would be strange. However, cases are known in market economies in which transportation enterprises find opportunities for reassigning technical and human resources to other types of production when their capacity and labor are unused. I recently visited Japan where I familiarized myself with the operation of a number of transportation companies. All of them do other types of work in addition to pure transportation, for example, the Japanese Eastern Railroad. It carries freight and passengers, but it also engages in manufacturing toys for children, grows flowers, produces a great deal of foodstuffs, organizes trade, possesses hotel complexes, and so on.

Do we have similar opportunities? Yes, we do. At any rate, technologies used at Ministry of Railways enterprises make it possible to set up the manufacturing of quite sophisticated and modern goods.

[Belyayev] We might expect that the material-technical facilities of the sector will have to be expanded and transformed to a degree in order to carry out these plans. This means that new expenditures will be required...

[Konarev] Expenditures are the most painful aspect in the process of switching to a market economy. The Goskomsten [State Committee for Prices] set prices for all the main goods we need: cars, locomotives, rails, ties. These somewhat-increased prices were taken into account when the plan was drawn up. However, when manufacturing enterprises were given the right to set contract prices, they drove up these prices to fantastic heights, forcing us to pay three to four times more than before for virtually everything. This was the case with the Novocherkassk and Tbilisi Electric Locomotive Plants, the Urals Car Plant, the Kryukovo Car Plant, and the Bryansk manufacturer of refrigerated sections. The Zaporozhye Steel Mill, the Krivoy Rog Metallurgical Plant, the Dnepr Metallurgical Plant imeni Dzerzhinskiy, and the Konstantinovka Metallurgical Plant imeni Frunze signed contracts with us for the delivery of rolled goods in the amount of only 20 to 25 percent of the allocations given. This calls for support by the government.

After the meeting of the Cabinet of Ministers, USSR President M.S. Gorbachev invited us for a discussion. He responded to our problems with the same understanding and concern as the members of the cabinet. He stressed that railway transportation is a basic sector which the state will draw on in accomplishing the tasks of perestroika and a reform of the economic organism. Incidentally, the president said: "Do not yield your selective phone to anyone!" Of course, he did not mean the Ministry of Railways system of rapid communications, but rather noted in this manner the special role of railway transportation—an integrating sector of the national economy.

We will endeavor to live up to this task.

## Plan Rail Performance Discussed

### Rail Minister's Report

914H0133A Moscow GUDOK in Russian 2 Mar 91 p 2

[Report by N.S. Konarev, Minister of Railways, summary of telegram sent by N.S. Konarev and statistical summary: "The Switch to the Market Has Been Thrown Open"]

[Text] The Collegium of the Ministry of Railways and the Presidium of the Central Committee of the Independent Trade Union discussed the results of the sector's work in the 12th Five-Year Plan and measures to fulfill the transport plan in 1991 and to ensure the sector's stable



**work under the conditions of the transition of the country's economy to market relations.**

The main goal of the expanded session of the collegium is to determine the actual ways and means of ensuring the normal activity of railroad transport in today's unstable social and political situation and under the conditions of the conversion of the country's economy to market relations.

It is now important to concentrate efforts in the following directions:

- radically improving production-financial activity;
- seeking and putting into action reserves to increase the volumes and quality of transport, particularly through accelerating railcar turnover, increasing the static load and increasing train weight and locomotive productivity;
- reducing to the utmost unproductive expenditures, losses and damages, not permitting unjustified expenditures and conserving material resources;
- achieving a rise in labor productivity and the wage level and seeking resources to solve social problems.

The system of dispatcher direction at all levels is called upon to play a substantial role in organizing train traffic. The role and quality of daily planning must be raised, and work developed to find not only cars, but also freight, in order to ensure an average daily loading of 200,000 railcars.

To increase revenues, along with striving to increase transport volumes, the entire system of commercial operations must be decisively restructured, particularly for the purpose of substantiated use of contractual and unrestricted tariffs.

The roads suffer large losses because of incorrect application, not only of tariffs, but also of the rules and conditions of transport. This stems from the inadequate qualifications of the commercial workers. In the near future, stations must organize study of the documents relating to calculating carriage and other charges and fees for transport and service.

Suburban tariffs must be carefully investigated. The roads will be given the right to establish them. These tariffs must now begin to be approved by the local organs of authority, to avoid their unprofitability. This will make it possible to obtain, hypothetically, at least 700 million rubles of revenues.

In our new circumstances, the motto should be: "You have to move your feet if you want to eat!" Everyone must be firmly made to understand that in the matter of attracting clients, it is time to count only on our own resources, and not on charity. There will not be any more charity!

We can obtain a hefty increase through expanding subsidiary-auxiliary operations: producing consumer goods and rendering paid services to the population.

Making the transition to market relations, introducing a unified profit tax, and expanding the economic independence of the collectives require new approaches to constructing a system transport revenue organization for the roads. It is acknowledged expedient to establish fixed accounting prices for specific work measurers when transporting freight in through service. It will be up to the roads to calculate the revenues: for a ton of freight loaded and unloaded, tariff ton-kilometers, railcar-kilometers of an empty run, turning over empty gondolas for distribution and use by the network of refrigerator rolling stock that belongs to the road. At the same time, the road will pay from its revenues for having the working fleet of these railcars on it.

The rates for making up passenger trains have increased by 50 percent. The prices for loading and unloading have increased by 80 percent. The empty gondola turn-around rate has increased six-fold. In order, however, to avoid stimulating an increase in empty gondola runs and the tendency to turn them over for control to the detriment of the loading plan, payment will be made only for gondolas turned over for control within the limits of the technical plan.

A considerable effect can be obtained from transferring highly specialized cars, particularly tank cars to transport chemical and food products, to the balance sheet of industrial enterprises and leasing them. According to the estimate of the VNIIZhT [All-Union Scientific Research Institute of Railroad Transport], this will make it possible to reduce operating expenses by approximately 150 million rubles.

The problems of operating low-activity and spur lines should be given serious consideration. The least promising ones should be shut down, which will also make it possible to reduce expenses.

A centralized fund of the MPS [Ministry of Railways], amounting to three percent of the profit, is to be set up to finance work on modernizing freight cars, the most important scientific-research work and construction projects of general network importance.

The situation requires getting rid of unpromising, lengthy construction projects as soon as possible. They should either be rapidly completed or respecialized for the output of products necessary for transport.

Under the conditions of a shortage of capital investments, it is important not to dissipate resources, to ensure the maximum possible introduction of fixed capital and to reduce the amount of unfinished construction.

The Ministry of Railways has appealed to the governments of all the union republics with the request that part of the funds transferred by the roads and the

enterprises to the republic budgets be directed to strengthening and developing the material-technical base of transport. After all, the economic stability of the republics, krays and oblasts is integrally bound with the stable work of the railroad workers.

When contracts are concluded with clients for transport service, it is advisable to lay down the conditions of supplying the road or division with building materials. The directors of our enterprises must develop, by any means, their own construction base and the production of building materials and equipment (brick plants, shops manufacturing plumbing hardware, fittings, etc.).

The development of subsidiary farms is very important in order to satisfy the needs of the railroad workers for foodstuffs. The road associations for worker supply should stand up for the interests of our collectives in the republic, kray and oblast trade administrations.

[Box, p 2]

**The telegram sent out by N.S. Konarev, minister of Railways, to the roads, divisions, transport enterprises and organizations and also to the road trade unions and rayon trade unions says, specifically:**

"The Collegium of the Ministry of Railways has adopted specific resolutions to raise the quality of the work of the transport conveyer, strengthen the financial position of the sector and improve the social position of the railroad workers.

"The situation that has formed in the country obliges all of us to display great awareness and organization, and through our conscientious labor, under the complex conditions of the transition to the market, to ensure fulfillment of the assignments of the first quarter and of 1991 as a whole. Take all measures necessary to move the freight presented on the basis of raising the level of operations work, reinforcing interaction with the consignors and consignees and intensifying the attention paid to safety in train traffic. Ensure a rise in the standards of service for passengers and the utmost development of passenger service.

"The participants in the collegium, M.S. Gorbachev, President of the USSR and V.S. Pavlov, prime minister of the USSR, emphasized at the meetings held the exceptionally important role of railroad transport in the country's life-support system, stabilization of its economy and strengthening of the Union of Soviet Socialist Republics. The appropriate ministries and departments have been commissioned to render financial and material assistance to transport. Realization of the Program of Re-equipment and Modernization of the Railroads is to be activated."

[Box, p 2]

#### The Mirror of Statistics

##### Control Figures for 1991:

Freight transport volume, million tons .....2,210

Passenger turnover, billion passenger-km .....420

Total freight shipping, million tons.....3,930

##### Financial and Economic Indicators:

Revenues from transport, allowing for 25% rise in freight tariffs and 70% anticipated rise in passenger tariffs, million rubles .....35,345

Operating expenses allowing for new wholesale prices and tariffs, million rubles .....29,018

Profit from transport, million rubles.....6,327

Allowing for subsidiary-auxiliary operations, million rubles .....7,572

After payment of 45% tax to budget, there remains, million rubles .....4,165

Of them, for capital investments, million rubles ...1,553

For these same purposes from amortization deductions and other sources, million rubles.....4,027

The MPS will have at its disposal a total of, million rubles .....5,580

The demand for capital investments, allowing for the increase in cost of rolling stock and construction-installation work, million rubles.....10,518

Shortage of funds, about, million rubles .....5,000

But allowing for a constant rise in prices, the shortage for today will increase by, million rubles.....12,000

##### The following norms for use of rolling stock must be realized for efficient operations:

Static load for railcar, tons .....55.5

Average weight of train, tons.....3,300

Locomotive productivity, thous. ton-km gross .....1,150

Level of delivering cars, thous.....390

Car turnover, days .....6.5

##### Last year the roads paid various fines amounting to 390 million rubles. Of them:

For nonfulfillment of the transport plan, million rubles .....160

For delays in freight delivery, million rubles.....120

Losses from unsafeguarded transport, million rubles.39

Loss from delaying car turnover, million rubles.....50

##### In 1991 the following are to be constructed:

Housing, thous. apartments.....70

Children's preschool institutions, thous. places .....	13.5
General education schools, thous. places .....	13.3
Hospitals (per number of beds) .....	2,160
Out-patient and polyclinics (for visits per shift) ....	8,000
Palaces of culture (number of spaces) .....	3,700

### **Railroad Leaders Comment**

*914H0133B Moscow GUDOK in Russian 2 Mar 91*

[Comments by USSR Railroad chiefs: "The People Need Work!"]

[Text] Almost all railroad directors have reiterated these words. It has perhaps never before been heard so insistently and alarmingly as at this collegium. The drop in transport volume, particularly noticeable in the first weeks of the new year, has forced a search for a way out of the serious economic and financial situation that has formed. The opinion of the speakers was unanimous on some points, but heated arguments developed on a number of problems.

We are offering excerpts from some of the speeches for a better understanding of the depth of the problem.

#### **I.L. Paristyy, chief of the Moscow Railroad**

Due to the improvement in transport technology, primarily through running long-consist and heavy trains, we have reduced the operations staff by 20 percent and in the last few years have successfully coped with the ever-increasing transport volumes.

Now, however, the situation has changed sharply. In January, the transport volume was reduced by 18 percent as compared with the same period last year. In the first half of February, it was reduced by 28 percent (30 percent—freight, and 22 percent—passengers).

The reasons, in my opinion, lie in the separatism of the republic, the battle of laws and sovereignty. Loading has dropped everywhere, and no one knows when the situation will stabilize. Moreover, the drop in freight flow is taking place during an unrestrained rise in prices for electric power, fuel, rolling stock, ties, etc. Our freight tariffs, as before, are "insignificant." All of this can lead to financial failure.

What measures are we planning to take?

We have decided to give up purchasing new railcars, diesel locomotives and electric locomotives. Not because we do not need them—we cannot pay for them! We have purchased only urban electric systems, for otherwise we could not ensure suburban service.

As for passenger transport, in the fourth quarter of last year alone, over 1,000 trains were dispatched almost empty. Through this alone we lost 33 million rubles. In January-February, we started to drop certain routes. In

fact, mainly businessmen and refugees travel our road now. Freight locomotive engineers sometimes wait up to three days for a train.

Under these conditions, the staff must be cut—otherwise, we cannot hold out! We are starting, of course, with the administrative staff of the road and the divisions. We must look at the low-activity latitudinal runs, where the load is only 20-30 percent. We are performing engineering operations only on the day shift, and we will not maintain people at night. As we have about 200,000 persons on the road, you can understand, we will have to cut several thousand of them.

I feel that the railroad workers should not have to solve all the problems with their own forces. We have to rescind the deductions for the budget from the quintuple fines received by the road for the idle times of cars and take, for a year or two, the 45-percent profits tax as part of the totals of the fines.

#### **Yu.I. Tsittel, chief of the Volga Railroad**

The road's collective ended last year with positive results, settled the debts for 1989 and even had a profit left. Railcar turn-around was reduced by 13 hours as compared with the preceding year (by five hours less than the plan!). This indicator is slated to drop by another three hours this year.

The situation in January-February, however, as everywhere, became critical. Transport is dropping, the people need work, and we do not know how we will be able to make ends meet and whether there will be enough money for wages in March. We are cutting back unprofitable and short-run transport. Through converting low-activity routes to single-shift work, we are trying to redistribute the funds among the divisions.

Nevertheless, the cut-back of people on the route is becoming dangerous, especially for our road, which had such a hard time recruiting its staff. It is another matter that in this complex period it is particularly urgent to solve problems related to social protection of the transport workers. We had a detailed discussion about this at the conference on concluding the union labor contract. Together with the trade unions, we will think about an efficient way to solve the problems posed there.

#### **N.K. Isingarín, chief of the Alma-Ata Railroad**

Enough has already been said here about the sharp drop in transport. We are also experiencing this in full measure, and the reasons are the same as for the collectives of other roads. According to preliminary estimates, we will suffer about a 36-million-ruble loss in passenger transport alone. The fact that the tariffs in local service have been "loosened" does not help the situation, either, nor can they be raised without limit.

We feel that in order to make ends meet, the freight tariffs must be doubled, and passenger tariffs—raised by 70 percent.

The status of the railroads is an important question. The unity of the network and the Union role of the Ministry of Railways are unconditional. We are regarded as aliens in the republic, however. The government of Kazakhstan is demanding joint administration and, they say, then it will be able to protect us and help us. The problem is not an easy one, and must be resolved immediately.

I think: it is time to make a decision with regard to the Ministry of Railways and the Union government. For many years, the principle of "come on, come on!" has held sway, and there was no specific help. Now it is time to make responsible decisions, or else transport will become a drag on the development of the economy.

#### **L.I. Matyukhin, chief of the Gorkiy Railroad**

We too have lost up to 20 percent of the transport volume on a number of routes. Even though we have cut about 2,000 workers from the administrative staff in the last few months, we are approaching the point when we will have to seek some sort of workload for the specialists in the basic occupations. We have already formed several columns of engineers who could be sent to other mainlines.

Nevertheless, I do not agree with Ivan Leontyevich Paristyy, who intends to cut the staff by 20 percent. I think that any measures should be taken except for cutting the basic skeleton staff of people—otherwise, in a year or two transport will increase and we will not be able to ensure normal operations.

It is extremely difficult to keep people, however. You can see what is happening: there is a universal sapping of the prestige of railroad workers. The trolleybus drivers—young women—work for 1,000 rubles, and our engineers work for half that, even though their responsibility is many times greater and you cannot compare their working conditions.

It is time, finally, to protect the rights of the railroad workers to go out to the mass information media. After all, the country will not survive without reliable transport connections. If the government and the USSR Supreme Soviet pay no attention to our problems today, it will be impossible for them to correct this mistake tomorrow.

It is particularly annoying to acknowledge all this when the mainline has up to a 40-percent throughput reserve, and there is no work. Freight transport has become unprofitable, and passenger transport is also operating at a loss. Our economists predict this: the shortage of funds will be about 80 million rubles this year.

#### **D. Ya. Sidenko, deputy minister, chief of the Transport Main Administration**

I am distressed that no one has mentioned the quality of our work. It is as if there were no problems other than the drop in transport, and our own reserves were exhausted. This is not really the case. The car turnover has slowed

down, the accident rate is high, cases of rejects in work have not been reduced, and negligence and irresponsibility have not been eliminated. These flaws have nothing to do with financial well-being.

You know how much the network lost last year from the accident-rate on the routes alone—190 million rubles! An hour delay in railcar turn-around costs in the tens of millions. A 100-ton reduction in train weight alone causes additional expenses of about 50 million rubles. And reducing section speed? And increasing the idle time for a single loading operation?

There is virtually no mainline with a collective that could boast that it had everything in order with respect to these and other indicators. This means, in addition to the drop in transport, the factors listed also affect the financial situation. That is, I call upon all the road directors to look carefully in their own pockets. After all, we have come to the point where we cannot make up a consist and bring our own rails from the metallurgical combine!

What I have said does not mean that I do not share the worry about the drop in transport. What is more, for the first time in the years of Soviet power, we have arrived at a negative balance with respect to railcars—we are writing off more old ones than we are receiving new. In addition, our own plants are reducing the supply of cars from repair by over 30 percent. There are many such problems. This means that, along with what has been justifiably said with respect to tariffs and the need to re-equip the sector and improve the material-technical supply and social insurance, we must not forget about the qualitative indicators of both our work and yours.

**Almost all the road directors**, transport science representatives and many main administration chiefs spoke during the discussions at the collegium. There was also talk about the structure of the sector's management, of the coming competition, under market conditions, among the various types of transport, about the long drawn-out discussion in the USSR Supreme Soviet on the draft of the Law on Railroad Transport and about many other problems.

**F.M. Kotlyarenko, chief of the North Caucasus Railroad**, for example, alluded to the wild outburst of prices and expressed the opinion that the Cabinet of Ministers should make a one-time subsidy for the Ministry of Railways especially for the wage fund, in order to support the railroad workers. **I.P. Vorobyev, his colleague from the South Urals Railroad**, not only supported this idea, but also expressed the conviction that only this would help to remove the social tension in the collectives and stop the efflux of personnel that was beginning here and there.

**A.M. Kozhushko, chief of the Donetsk Railroad**, devoted his speech to the important problem of repairing bad-order cars. Here, efficient use is made of everything remaining after the stripping of cars that had arrived in poor condition, right up to restoring the wheel pairs.

In the words of **O.A. Moshenko, chief of the Baltic Railroad**, the collective of this mainline has to work under the conditions of five mismatching laws. Practical experience has forced it to find a possibility of increasing revenues. The tariffs for suburban transport have been increased, and the charges have risen. Even this, however, proved to be insufficient. The only hope is for a revision of freight and passenger tariffs. In addition, he expressed the opinion that the Law on Railroad Transport should accurately reflect interrelations with the republics.

The burning topic of the fact that the Ministry of the Railways and the roads have no real sources of obtaining currency, even though they transport exported and imported freight, was touched upon more than once. Various ideas were expressed on how best to acquire locomotives, railcars and other equipment—for the roads themselves or through setting up a centralized MPS fund.

Everyone was absolutely united on the fact that the path of producing personnel, as **I.L. Paristyy** intended, must not be taken, and also on the fact that transport economics, under the conditions of a transition to market relations, must be dealt with no less, but even more seriously, than operations work. As **M.A. Guryev, chief of the Odessa Railroad**, noted, the basic indicator of the efficiency of using means of transport should be the receipts, and not the famous ton-kilometers.

**V.Kh. Doguzhiyev, first deputy prime minister of the USSR**, who took part in the work of the collegium, more than once answered the questions of the road directors, and commented on individual speeches. So far, however, the Cabinet of Ministers has not yet been formed, he said, and all the suggestions and requests expressed would have to be generalized in the form of an individual document.

The resolution of the collegium was this generalizing document, the most important conclusions of which consist of the following.

#### **Rail Collegium Actions**

*914H0133C Moscow GUDOK in Russian 2 Mar 91 p 2*

[Resolution of the Collegium of the Ministry of Railways and the Presidium of the Central Committee of the Independent Trade Union of Railroad Workers and Transport Construction Workers]

[Text] To take all the measures necessary to fulfill the planned assignments for the purpose of maximum satisfaction of the demands of the population and the national economy for transport and ensure the stable work of railroad transport in 1991, which is one of the most important conditions for stabilizing the country's economy and strengthening the Union of Soviet Socialist Republics.

To concentrate the efforts of the collectives on improving work organization, reinforcing technological and labor discipline, introducing the achievements of scientific-technical progress and advanced experience, realizing the production reserves, raising the level of commercial and entrepreneurial activity, strengthening the sector's financial position and improving the work and everyday living conditions of the railroad workers.

To ensure unconditional fulfillment of the monthly plans for shipping freight, particularly freight for the State. Take efficient measures to accelerate the turn-around of railcars and containers and ensure their prompt delivery for freight operations.

In conjunction with industrial enterprises, to work out and implement measures to reduce the idle time of railcars for freight operations, and when awaiting delivery to access tracks and cleaning at the station. Improve interaction with consignors and consignees and motor vehicle transport enterprises.

To take measures to reduce operating expenses and unproductive expenditures and raise profitability through improving the use of rolling stock, improving technology and raising the quality of repair of rolling stock, tracks and other fixed capital through conserving fuel-energy, material and labor resources.

On the basis of a detailed study of the demand, to ensure complete and high-quality satisfaction of the needs of consignors, consignees and the population for freight transport and services, including through transport according to coordinated schedules and timetables, with a reduction in the periods for delivery and broader offering of transport-dispatch and other non-traditional services, and on this basis, to achieve an increase in the profitability of stations, roads and the sector as a whole.

To take the necessary measures to increase the economic efficiency of passenger transport and create the conditions for increasing the interest of the roads in assigning additional trains.

Before the end of the first six months, to prepare recommendations to the roads on improving the organization of work with customers under the conditions of a market economy.

To analyze the presence of above-norm reserves of fuel-material valuables and uninstalled equipment and outline specific ways to reduce them.

The road chiefs are to examine the state of affairs concerning the planned routine repair of freight cars and, before the end of the first quarter, are to make up for the lagging behind permitted and bring order into counting faulty railcars.

Through the use of track complexes for routine maintenance of rails and through sending the necessary material resources, to achieve stabilization of the state of the tracks and reduce speed restrictions, particularly on the most heavily loaded sections and basic passenger runs.

To work out a program of developing the production of spare parts for imported motive-power rolling stock, with the intention of eliminating the dependency on foreign suppliers in the next few years.

To activate work on creating and introducing technical devices, directed toward intensifying traffic safety.

To continue to expand the sphere of activity of intersectorial industrial railroad transport through accepting at least 200 enterprises and organizations of the national economy for transport service.

To organize the training, including that abroad, of production directors capable of working under market conditions, for promotion to supervisory positions.

To ascertain low-activity and unprofitable sections of production, subject to reorganization or elimination, using the contingent released at newly created subsidiary production facilities.

### Chief Interviewed on Railroad Economic Program

914H0136A Moscow GUDOK in Russian 2 Apr 91 p 3

[Interview with A. Starodub, chief of the Tselina Railroad, by V. Shevalye, GUDOK correspondent: "Transport in the Context of the Market—Good Changes"]

**[Text] At the end of last year, the railroad newspaper published a draft of the main directions for the transition of the Tselina to the market. A. Starodub, chief of the Tselina, shares his impressions about how the railroad is taking its first steps.**

[Shevalye] Aleksandr Vasilyevich, in briefly assessing the adopted program, what would you say is fundamentally new in it?

[Starodub] All of its paragraphs oblige us to rely only on our own forces, first and foremost—financial ones. And from this we get a general outline: the creation of a network of small enterprises, maximum development of lease collectives (there where it does not contradict technological features), the "inoculation" with enterprise of all subdivisions without exception on the basis of economic independence, and every conceivable increase in profit from subsidiary-auxiliary activity.

[Shevalye] Incidentally, to what extent does the appearance of the draft relate to the confirmation of the position of chief economist in the managerial apparatus? Is this the usual coincidence or a calculated need for an "economic regulator?"

[Starodub] Honestly, we were one of the last to introduce this position in the network. Up until now, it was not required; we fulfilled "command" plans successfully, and nothing more was necessary. These are different times now, and the resolution of tasks will be different—and this results in changes in the personnel roster of the administration.

[Shevalye] Judging from the draft, there will also be changes in the status of some of the seemingly permanent structures. For example, a new commercial firm is being set up on the basis of the material-technical supply service that will be called Tselina Railroad Supply.

[Starodub] It is not the name that is important. The fact is that workers in this service were never interested in the results of their work in a major way. But their fixed wages and the material incentive fund from the overall railroad pot did not in any way guarantee the railroad worker new felt boots or spare parts for locomotives. Now the suppliers will have to get used to commercial habits, since their welfare will be tied to the performance of contractual obligations to railroad divisions and enterprises.

[Shevalye] Tell me, could you at least approximately compile the entire list of expected losses?

[Starodub] Why not? Take our financial position for this year. It cannot in any way be called outstanding. And not because the railroad planned such an unenviable fate for itself. Even taking into account the new tariffs for the payment of transport operations, the shortage of resources for the line will amount to tens of millions of rubles, the profit balance will decrease by a factor of four, and the profit that will be available to the railroad, by a factor of two. And while previously we were at least able to talk about the fact that the MPS [Ministry of Railways] was taking too much money for the central funds, this does not exist now: last year, our share to the ministry treasury was 190 million rubles [R], and now it is only R26 million.

[Shevalye] How will such a shortage of resources be turned around for the railroad?

[Starodub] By what should occur according to the laws of normal economics—by a maximum cut in the accumulation fund. Our branch tariffs still do not correspond to those prices set by the suppliers of fuel, power, metals, and so forth. The other day I met with managers of the trusts Tselintransstroy and Magnitogorsktransstroy (these are our main general contractors). And what do you think? Every new dwelling house will cost us twice (!) as much. This kind of a jump in prices will hit the pace of cooperative construction of housing hard—because up until now we annually erected four to five dwelling houses at the expense of the Housing Construction Cooperative. It is not difficult to imagine the reaction of the people who are planning to build cooperative dwelling houses in the next few years.

[Shevalye] It is not the most pleasant news.

[Starodub] Indeed, and that is not all. In 1989, the road received more than a million ties, and last year, only half this amount. No one knows what it will be this year. But one thing is clear: now, frequently you cannot even buy

stock ties at any price. I think that extraordinary measures are needed here. For if there still will be nothing with which to repair the line, then what will be left of it in the next year or two?

Also alarming is the fact that we in administration are compiling market programs, but many of the principles of economics by which we are compelled to live contradict the principles of the market, and it appears that they will not disappear from practice soon. For example, according to MPS instructions, our locomotives work on the South Urals and West Siberian main lines. In addition, we bear the expenditures for maintaining these locomotives (on the order of tens of millions of rubles a year), but neighbors receive the income, which our equipment "earns" for them. And no matter how much we raised this issue at various levels, we got no reaction from the MPS, from the Urals, or from Siberia.

[Shevalye] Perhaps these troubles will be resolved at least partly by the Ministry of Transport of Kazakhstan that is being created now? How do you react to this?

[Starodub] In a positive way. You see, up until now the republic, which had three railroads "on its hands," did not have a clearly designated connecting center for all types of transports. With the appearance of a Ministry of Transport, I think, many of the disconnections between us, motor transport, and water transport will be eliminated. We also hope that, of the 23 percent of our own profit that we will give to the budget of the republic, something will be given back in the form of investments.

[Shevalye] It is probably a good time now to move to the pluses of the future market life. Because there are those also?

[Starodub] Yes, unquestionably. A meeting was held not long ago with our principal freight consignors—the managers of Ekibastuzgol Association. Perhaps we were able for the first time in the last several years to agree on a figure acceptable to both parties on the transport of Ekibastuz coal—86 million tons. What is more, an agreement was reached on the transport of one million tons of coal according to international contracts, and this is also not a bad feature in our relations.

[Shevalye] In some rayons of the country, tickets for suburban trains have become more expensive. Can such changes also take place on the Tselina?

[Starodub] It is difficult for me to answer this question now. Although I think that a rise in price is inevitable. Most likely, this will occur after the development and adoption of a system of social protection for poor citizens.

[Shevalye] What else can be done under the conditions of the main line to reduce expenditures and increase profits?

[Starodub] I already talked about the fact that the "green light" will be given on the road to small enterprises. This is beneficial both to the people and the main line. For

example, a small enterprise for the production of consumer commodities was "propagated" from the wood-processing shop in the rail car depot Kurort-Borovoye. And what commodities! Here they make upholstered furniture that sells like hot cakes. The same kind of a small enterprise works in the Kustanay depot. We are placing a lot of hope on the work of the engineering center, which is engaged in the introduction of the achievements of science and technology. There are also other good changes in this matter.

[Shevalye] A lot of space is devoted in your draft to problems of personnel training and retraining. Is this in connection with an impending reduction of workers, or is it only a question of a redistribution of forces?

[Starodub] I am not telling a secret, when I say: a majority of the workers on the railroad are not ready to work under market conditions. Therefore, we outlined a personnel training program in the higher educational institutions of the country, in railroad courses, and in the system of production-economics training. Foreign experience suggests: along with a certain growth in the number of managerial workers, a need also arises for regulating work positions, and, in addition, multiple qualifications for the workers is being encouraged in every possible way.

There is no need to talk about some kind of a massive reduction. We were already reduced, at times without measure, during the period of introduction of the Belorussian railroad experience. Now, the railway engineers and car-building workers, and communications workers and power engineers are experiencing an extreme need for workers and specialists. We have to find reserves to preserve the backbone of the communicators and power engineers.

[Shevalye] The main line has several dozen subsidiary services. Will their contribution to the resolution of problems be more significant under market conditions?

[Starodub] We have 47 subsidiary services. In the past year, they sold more than 700 tons of meat, almost 200 tons of milk, seven centners of honey, and a lot of vegetables and potatoes. The average cost of meat, for example, was R2.75. Compare this figure with market prices and with the new state prices, and it will become clear to you that the subsidiary services will be feeding the railway workers for a long time yet.

[Shevalye] And last. It is known that after opening the junction on the Sino-Soviet border, the Tselina gained a real opportunity to earn hard currency. What kinds of plans are being worked on now in this connection?

[Starodub] Only one example can be cited for the time being. We undertook the transportation of pellets from the Sokolovskiy-Sarbaykiy mining production association that are supplied to the Chinese according to a pertinent contract. However, this does not yet say that first category money will rush to our accounts. The details of the cooperation of the roads with the MPS and

about the consignor have not been worked out yet. In these relationships, the railroad must be granted as many more rights as possible, and then it will be possible to talk about regular receipts of hard currency in our accounts.

But in general, despite the difficult outlook for this year, we intend to stay afloat through our own forces. What is more, we are not setting aside plans to introduce a centralized dispatcher administration on the new sectors of the main line, and we will find the means for continuing housing construction. I think that the difficulties that have befallen the country are a temporary phenomenon, and that we will be able to overcome them.

### **Rail Institute Director on Transport Problems**

*914H0134A Moscow GUDOK in Russian 15 Mar 91 p 2*

[Article by V. Inozemtsev, rector of the Moscow Institute of Railroad Transportation and Engineers and corresponding member of the USSR Academy of Sciences: "Transport's Problems Are the Country's Problems"]

[Text] **Railway transport occupies a special place in the country's transportation system. Some 65 percent of domestic freight turnover and 45 percent of inter-city and suburban passenger turnover falls to the lot of the railroads. Breakdowns in the technical chain even on individual sections are fraught with serious consequences for the economies of whole regions. It should be said that the railway men, working under the most difficult conditions, provide for the transportation demands of the national economy and its passengers. However it is also fair to complain about the quality of transportation services.**

**In terms of labor productivity we lag somewhat behind the United States, which is true of even the most advanced sectors of our industry. Over the last year alone, despite all the negative processes which have appeared in the economy and interethnic and inter-regional relations, more than 3.8 billion tons of freight and 4.3 billion passengers were transported.**

But transportation today is undergoing serious difficulties. One of the destabilizing factors of our economy has been the creation of parallel economic structures (cooperatives and joint and small enterprises), in which workers and specialists, despite lower labor productivity, receive several times more than those working at state enterprises. And in the system of state enterprises the principle of equivalent pay for equivalent labor is being violated as well, which gives rise to dissatisfaction among people and an outflow of qualified personnel. How should the engineers on locomotives of the Moscow Railroad Junction act, for example, when drivers of trams and buses in Moscow are paid three times more for their labor?!

And this is despite the fact that the skill of a locomotive engineer, the level of responsibility, and, as a rule, the number of years in the field are significantly higher than that of a driver of urban ground transportation. In

developed foreign countries railroad workers generally earn higher wages in comparison with other vehicle drivers. For example, if wages for miners are 1.33 times higher than for railway men in our country, in the United States the pay level for miners is only 89 percent of that for railway men, in the FRG—90 percent, and in Italy—85 percent. Still more contrasts can be found in other fields here and abroad.

The position is worsened by the fact that over a number of five-year periods railway men have been allotted 2.7 times less capital for the development of the production base than across the country on the average. This has led to an increase in social tension. At the beginning of this year the sector had only 76 million square meters of housing despite a demand of 120 million. Some 440,000 families of railway men have registered to upgrade housing conditions.

In 1991 the ministry intended to direct 1.6 billion rubles [R] toward ensuring the introduction of 3.3 million square meters of housing. However, USSR Gosplan [State Planning Committee] agreed to only R0.68 billion in financing. Such an approach runs directly counter to the 11 October 1990 decree adopted by the government.

In order to end or at least reduce tensions in the social sphere, the leadership of the Ministry of Railways changed its investment policy beginning in 1986. Over the last five years the share of nonproduction construction in the total amount of capital investments was increased from 22.2 to 30.1 percent. Over the last year alone 2.5 million square meters or about 50,000 apartments were built and put into use for all sources of financing. Transport will be able to carry out its immediate obligations when stable, highly qualified personnel can be maintained under conditions of a market economy. And for that we need to create normal labor and rest conditions, a good supply of food and industrial goods, health and medical services, and the opportunity to improve skills on all the railroads and at all the enterprises.

The condition of the material and technical base of transportation is just as much a concern as the social sphere. Good results by the railway men over a number of years have created the impression among the country's leadership that the sector is in good shape. As a result, scientific recommendations concerning the need to develop the network of railroads and fundamentally reconstruct the material and technical base have been ignored. The government's adoption of a program for technical re-equipment and modernization of the railroads during the years 1991-2000 has not been backed up with the necessary material and technical resources and finances. The situation is becoming worse because of a 20-30 percent reduction in the volume of conveyance at the end of last year and the beginning of this year. Because of a decrease in income there is not enough money not only for purchasing new equipment but also



for paying wages. A real threat is arising that production in the industrial enterprises supporting transportation will have to be curtailed.

The volume of annual deliveries of freight cars has declined from 75,000 in the ninth five-year plan to 60,000 in the current five-year plan, and the removal of obsolete and worn out cars from inventory has increased from 14,000 to 58,000. As a result, in 1990 for the first time in postwar years the inventory of cars declined by 10,000. Today only 60.8 percent of the freight cars meet modern technical standards, and one-ninth of them were manufactured prior to 1964 and should be written off.

A critical situation has arisen with passenger cars. In connection with a regular shortfall in deliveries, the fleet has declined by 1,000 over the last four years, and long-distance passenger travel has increased by 11 percent. Despite a need for 6,800 cars per year, transportation is only receiving 2,730.

The situation has sharply worsened in conjunction with the fact that the basic suppliers of compartmented cars were the Ammendorf and Gerlits enterprises of the former GDR. Ties with these enterprises have been complicated, and our industry does not produce compartmented cars.

The situation with suburban transportation is even more alarming. The increase in suburban transportation is the result of private farming, gardening cooperatives, and the tending of kitchen gardens. But where will we find the rolling stock? About 20 percent of the electrical cars have become outdated and have been in use for more than 28 years. The Riga Car Construction Factory is providing deliveries of electric and diesel trains at a level that is 30 percent of demand. Imports from Czechoslovakia and Hungary have practically ceased.

The inventory of locomotives is also unsatisfactory. Qualitative indicators of electric and diesel locomotives delivered to transportation show that the locomotives are not fully at the level of modern scientific and technical achievements. Nor are there enough of them. Today 44 percent of mainline diesel engines and about 10 percent of electric locomotives need to be removed from the inventory because of length of service and technical condition. It is becoming more difficult to restore them because of the absence of spare parts at depots and repair factories. Electric locomotives are in need of more than 40,000 traction engines and more than 50,000 auxiliary machines, which industry is not delivering for the most part. The situation is the same with diesel engines.

Management of lines is also in a difficult position. Over a significant extent of the main railroads freight traffic amounts to more than 80 million tons per year, and on a number of sections it is more than 160 million. No railroads in any other country handle such loads.

At the same time we have created and are using volume-hardened [obyemno-zakalennyy] rails and modern types

of lap switches at the most modern world levels. But industry has been producing them in extremely insufficient quantities. And for the present approximately 30 percent of the rails laid on the main railroads do not meet the necessary requirements. The number of defective wooden sleepers exceeds 14 percent, defective lap switches—more than 11 percent, and switch ties not suitable for normal operation—26.9 percent. For these reasons, speed is limited on more than 50,000 km across the entire network.

The transition to market relations has brought the railroads a series of new problems. Fees for electricity have been increased by decrees of governmental organs on electrified lines, and regional coefficients have been introduced. As a result the expenses of the railroads have increased by a factor of three on the average. When fulfilling the state-wide task of supporting the life of the country's economy, rail transport cannot depend on the interests of individual regions. The sole correct path is to secure electricity at state prices for the full volume of operations. And that is the situation not only with electricity.

The "Basic Directions in the Stabilization of the National Economy and the Transition to a Market Economy" adopted by the USSR Supreme Soviet stipulates priority investments in the "Railway Transport" sector. Based on the tasks of the "Program of Technical Re-Equipment and Modernization of the USSR Railroads in 1990-2000," the total volume of capital investments should consist of no less than R13.8 billion (at the new prices) in 1991, R5.8 billion of which is for construction and assembly work. But USSR Gosplan has set a limit on capital investments of R10.5 billion, or 24 percent less, and for construction and assembly work—R3.1 billion, which is 1.9 times less than is needed.

The existing tension in the financial and economic situation of the sector is not only not diminishing but is in fact worsening. The railroads are currently taking losses every day on the order of R5 million from passenger transportation alone. Such a lack of correspondence between income and expenses of the sector is a direct path to bankruptcy. Under conditions of a market economy there should be a flexible system of fees that can be adjusted depending on the cost of material resources being used by transport and the level of wages. However, the ministry has still not allotted a subsidy from the non-budgetary fund for stabilization of the economy to pay for freight cars, containers, and the construction of lines of the Moscow subway or to finance 13 of the most important construction projects.

Recent years have revealed one more problem: that of the legal, economic, and social vulnerability of the sector. Because of the blockade of individual sections of the network by extremist groups and because of strikes railway transportation suffered enormous losses, compensation for which is not stipulated by any laws. In many republics railway men are passed over when social guarantees are provided to the population, and they

suffer discrimination for ethnic reasons. As a result the railroads are losing skilled personnel.

The aforementioned instances show that the mighty organism of railway transportation is very seriously ill. The illness is progressing despite the mobilization of all domestic reserves. Very effective state measures are needed. Today's situation is a direct path to the quick bankruptcy of transportation and, consequently, of the entire economy of the country. If allocation of state investments cannot be carried out in the needed volumes, then there remains only one alternative—examination of fares with regard not only to covering operational expenses for transportation but also to financing the reconstruction and technical re-equipment of transport using the centralized portion of the income of the railroads.

### Soviet-Finnish Rail Cooperation Noted

914H0139A Moscow GUDOK in Russian 6 Apr 91 p 3

[Report on interview with G.M. Fadeyev, first deputy minister of the USSR Ministry of Railways, by Oleg Dyachenko in Moscow: "We Need Each Other"]

[Text]

Helsinki-Moscow [Dyachenko] Gennadiy Matveyevich, what kind of meaning do you attach to what has already become a popular saying in negotiations—"We need each other?"

[Fadeyev] Trade has been an integral part of any society for a long time. Our country has trade ties with practically the whole world. In the conditions under which we work and live today, this assumes a special significance: the state has authorized enterprises to go abroad directly. Last year, the ports and border crossing points in our country were overflowing with freight. But this was not a result of the fact that we started to sell more, but simply that we were not ready for this problem. Because previously the Ministry of Foreign Economic Relations held everything in its own hands—both the planning and the balancing of transport systems. Now, however, the enterprises have simply rushed to the border.

The share of foreign trade in the total volume of freightage is not large at the Ministry of Railways. It is not a question of tonnage, but of the importance of mutual relations and the obligations of the seller and the buyer. And here the role of railroad transportation is simply invaluable. But serious difficulties have arisen in our country, caused by the adoption of a decision on mutual accounting in freely convertible currency. There simply was none at the beginning of the year. Therefore, today, special significance is attached to careful treatment of the planning and qualitative support of the transport operations the state contracts.

In this connection, of all of the countries, I would especially single out Finland. Our mutual relations are so traditionally established that the Finns work efficiently

with our rolling stock, considering that the gauge is the same. On the order of 7,000 Soviet railway cars are continuously located there. This is a large park, and, therefore, a specific technology has evolved. There are no depots in Finland; that is, the entire industrial production that is produced every day must be loaded at night and dispatched. This is an exceptional feature. When there are no railway cars, a critical situation arises. Because there are no depots, everything is scheduled by the hour and minute. They understand very well there that a failure by either of the parties to resolve any question has a direct impact on production efficiency.

Our concern is mutual. Because, aside from everything else, Finland supplies us with rolling stock—last year about 2,000 railway cars. Moreover, these railway cars are covered with a metallic net and provided with bolting devices specially to our order for transporting passenger cars, and there are also railway cars for transporting elongated materials, and high quality mineral carriers. In cooperation, the Ministry of Railways supplies dollies, brake equipment, and girders for these rail cars.

And so it turns out that, although we have different social systems, the economies are very closely intertwined. Therefore, I listened with great alarm to the news that although contracts have already been concluded, the account of the Bank for Foreign Economic Relations is empty. This question has to be resolved without delay.

[Dyachenko] Gennadiy Matveyevich, this is already the twentieth successive meeting of Soviet transport workers with the Finnish partners. How does it differ from previous ones?

[Fadeyev] Finland is continuously seeking a Soviet market for its products and manpower. It has a wealth of experience in the construction of large enterprises with a high level of well-reasoned technologies and social welfare. They offered us a whole system of communications from Helsinki to Moscow and to Karelia and Murmansk. Of course, for us this is the future, and for them it is already the past. As for the construction of road facilities, this is on the intergovernmental level. Our task is to work out our fundamental position on these questions and submit it to the government, which supports us on many questions.

We have already cut train traffic time along the Helsinki-Leningrad route by an hour. But the Finnish side is not satisfied with the range of services that we offer passengers. In Finland, there is high-speed rolling stock and excellent service. We have a lot to learn here.

[Dyachenko] Of all of the questions you have enumerated, were you able to come to a specific agreement on any of them?

[Fadeyev] I will emphasize once more—the commission cannot independently make a final decision, but only state its position. Nevertheless, the question of allowing passage of a train formed up in Helsinki has already been

determined for the year 1992. Starting on 1 July, Finnish vessels will be steered along the northern sea route. And in the following year, this route will be completely opened for transit without having to call at a USSR seaport. The question of opening a new air bridge from Helsinki to Tokyo over the territory of our country has also been determined. And this affords a reduction in flight time of at least 3.5 hours

I think that the establishment of business contacts between Russian transport workers and Finland is significant. A first and good step has already been taken: a seminar will be conducted in Helsinki to train personnel of the Russian Ministry of Transport. The main thing is that they be consistent in making their decisions.

[Dyachenko] Gennadiy Matveyevich, how do you see the prospects for future mutual relations between our countries?

[Fadeyev] We are still not using capabilities to improve passenger services. There is no denying, of course, that our entire infrastructure is weak. I consider it an important task to be involving Finns in the establishment of hotels in Moscow and Leningrad, health resort areas, and tourist centers.

In the Leningrad area, there is an absolute lack of a material base for servicing electric trains. This is the most difficult problem in the branch, and the Finns are ready to help us. They have completed a study on the creation of a giant electric train servicing facility near Leningrad, looking toward high-speed traffic. We completely lack a base for repairing mineral carriers. And this results in pollution of the rolling stock, the environment, and large losses. A joint system is being developed to establish appropriate repair enterprises. But everything is based on hard currency. The ministry, on whose shoulders millions of shipments lie today, has virtually no hard currency. The state system that has been operating until now does not permit the independent use of even that scanty hard currency for the construction of these important facilities. We hoped that everything would change starting this year, and that we would be able to move our branch to hard currency independence. But the state saw in this a loss of hard currency. And still, if we hold out this year and the people have bread, I personally think that everything should get back on its feet the following year. And then you and I will witness the construction of the facilities I mentioned and the creation of an infrastructure. And the ministry will begin to receive that which it actually earns. Only it is a pity that time has been lost.

But even in this situation which is not easy for us, the Finns are ready to meet us halfway. They propose the establishment of a joint enterprise and the settlement of accounts in Soviet rubles. These questions can be resolved entirely by the branch managers, and we will take this path.

[Dyachenko] Your position is clear and understandable. But how did the Finnish side assess the results of the negotiations? For we did not just have official meetings.

[Fadeyev] Finnish business circles are closely following everything that is occurring here. And although there were no claims on their part, a certain anxiety, caused most of all by the instability of the economy, was present in practically every conversation. They said frankly: With whom do we do business in your country? And there were grounds for this. I emphasized that those who do business with our branch will not lose. For it is basic, and has tremendous freightage. There is a lot to carry and to sell.

Finnish business circles, particularly the Union of industrial workers, understand this very well, and they very respectfully expressed themselves about our mutual relations. I recall these words: "We need each other." This is really the case. And this is very important. We have a thousand kilometers of common border, a border of friendship and trust. We have to save all of this, remember and save. And bequeath it to our children, so that they will piously safeguard what is most important—friendship between people.

[Dyachenko] I turn off the tape recorder. Beyond the window, the familiar suburban Moscow landscape flashes by. But the thought does not leave me that, by opening the borders with capitalist countries that recently were inaccessible to us, by arranging contacts, by learning mutual understanding, and at the same time raising the inaccessible borders inside our own country, we will hardly need each other. And it is so frightening when you are not needed by anyone, especially by your own Motherland.

#### **Safety Inspector Interviewed on Hazardous Materials Transport**

*914H0136B Moscow GUDOK in Russian 2 Apr 91 p 3*

[Interview with N.V. Bochkovskiy, deputy railroad inspector for traffic safety, by V. Vashchenko, GUDOK correspondent: "The New Service State Committee for Safety in the Atomic Power Industry Warns..."]

[Text] I knew Nikolay Pavlovich Bochkovskiy for a long time as a deputy railroad traffic safety inspector. Then suddenly he dropped out of sight. A new individual appeared in his place. I thought: the time came for a deserved rest.

But Nikolay Pavlovich soon dropped by the correspondents' center, and he asked that he be spared time for a serious conversation. He was now the deputy chief of the East Siberian district of the State Committee for Safety in the Atomic Power Industry [Gospromatomnadzor]—the chief of inspection for railroad transport. To my embarrassment, I had not heard anything about this organization.

N. Bochkovskiy, apparently, counted on a sudden interest—he brought some kinds of documents with him. This interview is based on them and on the conversation.

“Why does our organization exist?” Nikolay Pavlovich asked again. “In order to avert tragic incidents similar to the Chernobyl accident or the explosions at the Arzamas and Sverdlovsk stations. The Gospromatomnadzor is also authorized to monitor the transportation of hazardous freight on the railroad. It has a corresponding administration that directs the activity of eight regional inspection offices, including the West Siberian.”

[Vashchenko] But I see from the papers that the name does not entirely coincide with the geography. Your sphere of “influence” also includes the South-Urals Railroad.

[Bochkovskiy] Yes, there is an incongruity, but it does not change the facts and the tasks. We will have permanent inspectors in the Orenburg, Orsk, Chelyabinsk, Omsk, Altay, and Novosibirsk railroad divisions who will conduct state inspection on compliance with rules for the delivery of hazardous freight both on the railroads and on spur tracks of enterprises.

[Vashchenko] There will be? But in the meantime...

—Very likely he heard disappointment in my voice. Nikolay Pavlovich placed material in front of me consisting of 10 typewritten pages of small text that began with the words: “Simultaneously with the formation of the inspection apparatus in January-February 1991, a number of checks were conducted on the organization of the transportation of hazardous freight at stations (their enumeration follows) and spur tracks of enterprises of the Ministry of Defense Industry, which showed...”

[Vashchenko] What is the status of the institutions, and how are things going with staff manning?

[Bochkovskiy] The development of the new regulations concerning the USSR Gospromatomnadzor, where the rights and duties of inspections are to be reflected, is still just going on. In the shortest possible time, it will be necessary to coordinate a list of enterprises and documentation with all of the ministries. All of this will have to be confirmed in committee so that it is obligatory for fulfillment by all directors of subsidiary organizations that are subject to inspection. It has to be admitted that there is no real compliance yet on the part of the chiefs of railroads and branches and directors of some enterprises who conduct the loading and transport of hazardous products. The West Siberian administration has not even allocated premises as yet. Experienced and qualified specialists who have already agreed to a transfer to us to work in inspections are not being released.

[Vashchenko] And, nonetheless, you have already conducted some checks. What did they show?

[Bochkovskiy] The fact is that the situation regarding the guarantee of safety in the delivery of special category

freight remains alarming. Last year there were 75 emergency situations on the South Urals Railroad and 33 on the West Siberian Railroad. For the biggest part of them, the consignors were at fault.

In February of last year, a fire broke out in one of the closed rail cars at the Moskovka station. It turned out that the sender—the West Siberian office of Khimreaktiv loaded incompatible substances there. And within a month at the station Vdokhnaya, a cylinder with styrolmonomer leaked. Nine railroad workers had symptoms of poisoning, and two were sent to the hospital. And all because the consignors of the freight did not close the lower pouring device tightly.

Particular sloppiness—it cannot be called anything else—also “distinguishes” associations scattered throughout the country under the same name of Azot. During the year, they permitted four emergency situations.

We also checked on the condition of spur lines of enterprises that produce explosives, including those that belong to the Ministry of Defense Industry. Thus, at the chemical combine situated in Altay, there is no diagram of rail line development and numbers of pointing arrows, and it lacks a technical-administrative act. Persons are permitted to work as assistant station masters who do not have enough knowledge.

[Vashchenko] But this is the usual attitude of the enterprises toward the railroad management. The railroad workers treat the transport of hazardous freight in the same unconcerned way. All you have to do is to visit hump marshalling stations, and you can become convinced of this.

[Bochkovskiy] We also saw this at Inskoy and a number of stations in the Altay division. We see that rail cars with hazardous freight are allowed to be sorted without locomotives in a hump marshalling yard, and they are not equipped with brake shoes. Yard crews and operators of centralization posts, and even shunting dispatchers, do not know the requirements of the technical-traffic control acts of the stations.

[Vashchenko] In your conclusions-proposals on the results of the checks, it is written: “It is necessary to revise the system of pay of the train marshalling crews in work with special category freight by increasing their interest in the speedy dispatch of such rail cars...” All of this is true. But, according to the documents, one can also judge that the drop in performance discipline goes from the top to the bottom. For example, the MPS does not follow the decree of the USSR Council of Ministers of 25 January of last year concerning the routing of special category freight around major junctions.

[Bochkovskiy] In the last half year, 15,000 rail cars with hazardous freight arrived in Chelyabinsk alone for processing. You correctly noted the “wave of insubordination.” That same decree of the Council of Ministers,

starting 1 January 1991, forbids the transport of unstable freight of the so-called 13th category. However, the MPS and the Ministry of the Defense Industry in joint instructions of 31 December 1990 gave permission to conduct such transports by special trains. The bad example is astonishing. Very likely that is why the instructions of the MPS and the Ministry of the Defense Industry are being ignored on the rail lines—for example, instructions

of 20 October 1988—in the part on the planning of transportation of explosives of different nomenclatures. Moreover, references are made to the publishers of the instructions themselves who did not provide normative documents in which there would be a systematized approach to freight nomenclature, their accurate designation and codes, and where changes would be introduced to instructions on planning.

19122

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.